

THE IMPACT OF STRUCTURAL FUNDS REGULATIONS ON  
REGIONAL POLICY PROCESS IN GREECE

BY

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**I, Fotini Papoudakis,  
Certify this dissertation to have been composed by myself and to be my  
own work.**



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## Abstract

This dissertation examines the impact of the 1988 reform of the Structural Funds' Regulations on the administrative arrangements regarding regional policy process in Greece, focusing on changes and shifts of power in the sub-national tiers of government. The analysis looks into the application of the guiding principles in the context of the two Community Support Frameworks (CSFs) for Greece, covering the period 1989-1999, and focusing on the regional section of the CSFs.

Against this background research involves:

- the compatibility between the existing domestic arrangements on the one hand and those required in the context of the Community Support Frameworks on the other,
- the new institutions introduced in response of the above requirements,
- the response of the domestic system to the new institutions,
- the loci of resistance and the role of the Commission in ensuring application of Community legislation.

The study includes a theoretical and an empirical part.

The first three theoretical chapters offer an overview of the Community Regional Policy and the requirements it sets on domestic systems, an understanding of the Greek political culture and administrative system and more specifically the decentralised and deconcentrated tiers of government, the significance of the European argument in the domestic debate on State and societal reform, and a theoretical framework for the study of the Greek case.

The three empirical chapters examine the application of the two Community Support Frameworks, the introduction of new institutions, and the degree to which these altered traditional policy process, and power structures especially with regard empowerment of sub-national tiers.

*The views expressed in this thesis are entirely personal*

### Abbreviations

1. CAD: Collective Decision of Action (a decision, usually ministerial, allocating financial resources to a public body to be used for developmental purposes)
2. CRP: Community Regional Policy
3. CSF: Community Support Framework
4. EAPTA: Special Local Self-government Development Programme
5. EATOP: A party committee of PASOK created specifically to promote decentralisation
6. EDIK: National Democratic Union (political party of the Centre, post dictatorial period)
7. EETAA: Greek Enterprise for Local Government and Local Development
8. EIB: European Investment Bank
9. ERDF: European Regional Development Fund
10. IMP: Integrated Mediterranean Programmes
11. JSC: Joint Steering Committee
12. KEDKE: Central Union of Municipalities and Communes
13. LD: Local Development
14. LP: Large Project
15. LPIP: Local Public Investment Programme
16. LSG: Local Self-government
17. LSGA: Local Self-government Authorities
18. LSGO: Local Self-government Organisation
19. MLG: Multi-level Governance.
20. MOU: Management Organisation Unit

21. ND: New Democracy (Right-wing political party)
22. OPEK: Association for the Modernisation of the Society
23. PASOK: Panellenic Socialist Movement
24. PDE: Public Investment Programme
25. PM Programme Manager
26. PSG: Prefectoral Self-government.
27. PSG: Prefectoral Self-government
28. PW: Public Works
29. RCAD: Regional Collective Decision of Action (issued by a Ministry and concerning a Region)
30. RDP: Regional Development Plan (the first phase of programming)
31. ROP: Regional Operational Programme
32. SEA: Single European Act
33. SNA: Sub-national Authorities
34. YPEHODE: Ministry for the Environment, City Planning and Public Works.
35. YPESDDA: Ministry for the Interior, Public Administration and Decentralisation
36. YPETHO: Ministry for National Economy

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## INTRODUCTION

This dissertation examines the response of the Greek administrative system to the requirements of the 1988 revision of the Structural Funds, in order to find out whether and to what extent it induced changes in domestic regional policy process. In this context, emphasis is placed on empowerment of subnational tiers of government and in particular the Regions which were first introduced in light of European integration.

Analysis is looking into the application of the two Community Support Frameworks (CSF) for Greece, in the period 1988-1999, focusing on the institutional and organisational incapacity of the sub-national tiers, as revealed in production of public works and in particular basic infrastructure projects, and discussing the reforms introduced in response to European policy requirements.

The Greek political and administrative system has always been clientelist and centralised. The principles introduced with the 1988 reform of the Structural Funds as well as Community directives applying in the context of the Community Support Frameworks contrasted sharply domestic regional policy process. Such has been the persistence of existing institutions that at the end of the first programming period, traditional policy patterns were left almost untouched, while reforms introduced with considerable delay in the second programming period met with strong resistance. According to the main argument of the thesis, and in line with new institutionalist theory, the degree of domestic adaptation to Community legislation depends on the issues regulated by the latter. There are two dimensions in this approach:

a) The centrality of the elements challenged by Community policy process in national political and administrative culture. This implies that resistance of the domestic system to the reforms introduced depends largely on the degree that these reforms challenge the existing opportunity structures, i.e. existing patterns of power and resource distribution.

b) Directly linked to and dependent on the above is the self-reforming and in a more narrow sense the self-regulatory capacity of the society. This is again as shown in the analysis closely related to cultural factors. More specifically, if culture is perceived as a set of institutions and self-understandings developed with view to securing survival, then it becomes obvious why a political and administrative system would tend to reproduce itself. Structures and modes of resource and power distribution are consolidated over time and through repetition. Reforms that seek to change these well-consolidated patterns threaten in reality vested interests of groups and social strata. The more vital the challenged elements to the survival of these groups the stronger the resistance displayed.

Although a number of studies, most of them articles and short contributions have examined the issue of adaptation of the Greek administrative system to the demands of European integration, some of them stressing the importance of social capital and political and administrative culture in general, none of them has attempted an in depth analysis of the reasons behind the low degree of domestic adaptation. In short, the reforming capacity of the Greek society as a whole and the administrative system in particular have not been so far adequately analysed.

In doing so, this dissertation examines moreover, developments in domestic politics during the past decade that have not been studied before at an academic level. More specifically, the creation of modernising-reformist

movements within the political parties in an attempt to address the issue of their obsolescence, their linkage to the European argument and the resistance of domestic opportunity structures are brought together for the first time in the development of the core argument of this thesis, revealing and interpreting the low self-reforming capacity of the Greek society.

Without an understanding of the above issues it would be difficult to comprehend in a satisfactory way the low degree of adaptability of the Greek administrative system to Community regional policy requirements.

The reason why this dissertation focuses on public works production is linked to the fact that basic infrastructure projects have always been predominant in domestic regional policy process. As such, this sector displays in a most illustrative manner all the features of the clientelist, centralised State, highlighting the institutional and organisational weaknesses of sub-national tiers of government, and the networks of various actors organised around traditional opportunity structures. It is characteristic that basic infrastructure small scale works and projects retained their predominance in the context of the CSFs. It is also significant that the official document of the 2<sup>nd</sup> CSF contained specific provisions regarding improvement of this particular sector, following the chaotic situation observed during the 1<sup>st</sup> programming period. There have been no similar provisions regarding other policy sectors.

The study focuses on the regional section of the CSFs and includes both theoretical and empirical elements. Information is drawn on Greek and foreign bibliography and official Greek and Community documents. Moreover, there was initially an attempt to collect information with questionnaires. However, this did not yield satisfactory results as there was no sufficient response. Subsequently, information regarding theoretical issues on which literature is



inadequate or non existent, but mainly information concerning empirical matters has been accessed through a very large number of interviews.

More specifically, as regards the genesis and evolution of the reforming movements that crystallised in think-tanks attached to political parties and in particular the Association for the Modernisation of the Society, (Chapter Three), a field not adequately studied, information was provided to a large extent through interviews with personalities of the political and academic worlds involved in the creation and development of this movement. Moreover, and especially regarding Chapters Four, Five and Six, interviews with actors at sub-national, national and Community levels have provided invaluable information based on their personal experience from involvement in the application of the CSFs. With one or two exceptions, interviewees have been involved in the above process for many years, most of them during both programming periods, and were still serving in the same or relevant positions at the time they were interviewed, which allowed them a very accurate knowledge and deep insight of the developments.

These semi-structured interviews have proven an extremely useful method, as they allowed arguments to develop freely thus revealing parameters that had not been considered in advance, which, however, shed additional light into the issues discussed. In addition, it seems that personal contact and the establishment of mutual trust has offered an advantage as opposed to impersonal questionnaires. The whole process has been facilitated by the fact that the author is a civil servant, with acquaintances at all levels of the public sector. This has moreover allowed her to attend a number of official meetings of great interest to the research project. Furthermore, it made possible access to documents, although the latter has not been particularly easy (especially with

regards the more delicate issues), and this is one of the reasons why empirical research relies so heavily on interviews.

Nonetheless, a satisfactory number of official documents were finally obtained, enough to complement information provided through interviews and support the arguments deployed in the course of the analysis. More specifically, the official Ex-post Evaluation Report of the 1<sup>st</sup> CSF, evaluation reports of individual Regional Operational Programmes of the two programming periods, and Minutes of the Community Support Framework Monitoring Committee have been used extensively for documentation in the last three empirical chapters. In addition, and to a far lesser degree, a limited number of official documents from personal archives have been accessed.

Finally, the author's educational background, (a graduate of the National School for Public Administration, Department for Local Self-government), her experience acquired during her work of nearly two years in the Prefecture of Eastern Attica, five years as a Head of the Department for 2<sup>nd</sup> Degree Self-government in the Region of Attica, and nearly two years as an Inspector for Public Administration, have contributed greatly to a deep understanding of the developments at all levels of public administration, especially the sub-national tiers.

The analysis is divided in three theoretical and three empirical chapters.

*Chapter One* offers an overview of the developments in Community Regional Policy, focusing on the 1988 revision of the Structural Funds Regulations. The principles introduced with the above reform are discussed in a way that illustrates their dynamics in domestic policy process. The chapter is also looking into the Commission's role in promoting application of the rules and empowerment of the Regions. A short overview of the literature concerning



domestic adaptation to the requirements of European integration concludes Chapter One.

Chapter Two discusses the Greek political culture analysing the nature of the centralised clientelist State, and offers a description of the Greek administrative system and the abortive attempts to reform it. In particular, the status of sub-national tiers of government is studied, with emphasis on their institutional, organisational and financial incapacity. Discussion includes regional development policy process in a manner that highlights the vicious circle that retained clientelism and centralisation of power.

Chapter Three offers in the beginning an overview of the relations between the Community and Greece. Moreover, it examines the appearance and development of reformist movements within political parties, and their relation to the European argument. The analysis seeks among others to reveal the self-reforming capacity of the Greek society. Finally, a theoretical framework is developed, for the interpretation of the response of the Greek administrative system and society to the demands of the application of the two Community Support Frameworks.

Chapter Four looks into the application of the CSF 1989-1993, showing persistence of the existing domestic patterns in policy process. Moreover, the reforms introduced during this period are presented. The study covers the regional section of the CSF, i.e. developments in the Regional Operational Programmes (ROP).

Chapter Five describes the reforms introduced during the application of the CSF 1994-1999. It was during this period that the reforming process was accelerated after the poor results of the 1<sup>st</sup> programming period. Some of the innovations were directly induced by European policy requirements and were

even agreed upon in the CSF 1994-1999 for Greece. Others, especially those related to decentralisation and deconcentration had been announced long before among the intentions of the ruling party and were accelerated in the light of European policy process. The process demonstrates once more domestic patterns' persistence, while at the same time highlights the role of the Commission as an overseer of the application of the Community legislation and a dynamic agent of domestic reform.

Chapter Six, the case study, examines the application of the two Regional Operational Programmes of Thessaly, offering an account of the response of the administrative system and social partners to the application of Community policies, as well as to the new institutions induced in the above context.

Finally the theoretical and empirical elements of the research are brought together in a conclusive manner.

CHAPTER ONE: COMMUNITY REGIONAL POLICY: FROM A RESOURCE RE-  
ALLOCATION MECHANISM TO A TOOL OF ECONOMIC AND SOCIAL COHESION AND  
AN ENGINE OF INSTITUTIONAL REFORM. THE ROLE OF THE COMMISSION: 'A  
REGIONAL DEVELOPMENT ENGINEER'?<sup>1</sup>.

Introductory notes

This chapter is looking into the 1988 reform of the Community Structural Funds as an engine of domestic administrative reform. This dissertation focuses on infrastructure projects funded by the European Regional Development Fund (ERDF), however the 1988 reform encompasses all the Structural Funds, providing for their co-ordinated function with view to achieving 'social and economic cohesion' therefore the guiding principles apply equally to the other Funds too.

Similarly, discussion of the period before 1988 is important, inasmuch as it illustrates the argument - key hypothesis of this thesis- according to which, resistance of national administrative patterns to reforms is due principally to disturbance of existing patterns of resource and power distribution, by the new principles introduced with 1988 reform.

Indeed, the study of the period before 1988 reveals the preoccupation of the Member-States with the prospect of losing powers to supranational institutions, especially the Commission, but also with the possibility of a re-configuration of power distribution *within* the national settings. A detailed discussion of this period is beyond the scope of this thesis, although a brief

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<sup>1</sup> Delors, J. (1987), Introduction of the Commission's programme for 1987. Address to the European Parliament. Commission of the European Communities (1987), "*The Single European Act: A New Frontier for Europe*". Communication from the Commission (COM(87) 100) to the Council. Bulletin of the European Communities Supplement 1/87, p. 31.

reference to the respective developments is made below before the examination of the 1988 reform.

Discussion seeks to portray the engines of domestic reform. Apart from the principles enshrined with the 1988 Structural Funds' revision, clauses included in the CSFs directly providing for administrative changes, as well as Community secondary legislation concerning public works production, are the principal mechanisms of reform. The Commission's role has been particularly important in ensuring application of the operating rules of the Funds and promoting change.

### *Community Regional Policy (CRP) before 1988*

During the first decades of European integration, CRP was not a challenge to domestic administrative arrangements, as it functioned merely as a mechanism for resource re-allocation among Member-States. The funds were allotted to the individual Member-States on a quota basis, which allowed them to use the resources at their discretion retaining the existing administrative patterns. The main reason for the belated advancement of a Regional Policy of a truly Community character has been attributed to fears shared by Member-States, -and in particular those with a strongly statist tradition like France-, that a CRP enhancing the role of the regional level was in fact "*...a declaration of war on the State... It was - rightly or wrongly - thought that Community construction was to be achieved at the expense of the national states, stressing the intermediate regional level*".<sup>2</sup> Another dimension of the issue was related to the changing dynamics between the Member-States and the Community<sup>3</sup>

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<sup>2</sup> Meny, Y. (1982), "Should the Community Regional Policy Be Scrapped"? CMLR, Vol. 19, No 3, pp. 373-388, p. 374.

<sup>3</sup> "The development of the structural funds must be considered in the context of ... the changing dynamics of the relationship between the European institutions and the member states". Michie, R. and



The creation of the ERDF in 1975 did not alter seriously this state of affairs, in which the Commission's role was minimal.<sup>4</sup> It is since the mid-1980s and in particular after the adoption of the Single European Act (SEA) that, successive reforms transformed the ERDF into the tool of economic and social cohesion. The period up to 1986 was marked by the Commission's efforts to promote a new type of CRP, of really Community nature, which involved reducing the Member-States' influence on CRP making. The first real breakthrough came with the adoption of the Integrated Mediterranean Programmes (IMPs), (Reg. 2088/1985 of 23 July 1985, concerning the integrated

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Fitzgerald, R.(1997), "The Evolution of the Structural Funds", in Bachtler, J. and Turock, I. (Eds), *"The Coherence of EU Regional Policy"*. London, Jessica Kingsley Publishers, p.14.

<sup>4</sup> After a lot of hesitancy, the creation of the ERDF was announced in the Paris Summit in 1972. It was established in 1975 (EEC Reg. No 724/75, OJ 1975 L 73/1). The re-distributional nature of the new CRP was reflected in the final text of the regulation, which fell short of the initial proposals as these had appeared in the Thomson Report. As pointed out by the deputy rapporteur of the European Parliament Committee on Regional Policy and Transport after the establishment of the ERDF, "...what we have here is not a real Community regional policy, but a policy of assistance and support for the regional policies of Member-States". Debates of the European Parliament 1975, Wednesday, 12 March, p. 42. More specifically, and significantly for the issue of administrative reforms, with regards to the reproach of poor participation of regional, social and economic partners provided for in the Rules of Procedure of the Regional Policy Committee, Thomson pointed out that had the Commission insisted on mandatory consultation, the Council would have ruled out altogether the relevant clause. The Regional Policy Committee, consisting mainly of representatives of the Member-States had the final say regarding the decisions taken in the context of the ERDF. *"The committee may, at the request of a member, consult representatives of trade Community and business or professional organisations either orally or in writing on specific subjects directly connected with the tasks of the committee. When items on the agenda are of concern to particular regions, the committee, if members appointed by the Member State concerned think it useful to do so, may take evidence either orally or in writing, from institutional representatives or from other interested parties from the regions concerned."* Emphasis added. (Article 5 of the Rules of Procedure of the Regional Policy Committee, OJ No L 320, 11.12.1975). These statements unveil the anxiety of the national governments with regards not only loss of power vis-à-vis the Community institutions but also sub-national levels of government. Additional and more concrete evidence of this is provided in the statements of Fitzgerald, President-in-Office of the Council, in his address to the EP. Defending the provisions on the Rules of Procedure of the Regional Policy Committee, he argued that one of the reasons why the consultation of the regional and social and economic partners was not binding, was that the opposite would have clashed with the existing domestic administrative arrangements implying that the likelihood of domestic administrative reforms, with view to responding to legal provisions was at that time beyond consideration. In Fitzgerald's own words, *"If one were to lay down a legal obligation to consult, there would need to be clearly and specifically established with whom that consultation must take place. Given the different administrative arrangements, and the different social and structural arrangements in the different regions, there would be insufficient provision to be able to make this a legal requirement"*. Debates of the European Parliament (1975), Wednesday, 12 March 1975, p. 71.

Mediterranean Programmes).<sup>5</sup> Their introduction has been attributed to the threatened Greek veto in view of the Iberian enlargement. Nonetheless, as shown by programmes prior to the IMPs, this was not the first time that measures were introduced to tackle the particular problems of the Mediterranean area of the Community. Indicatively, EEC Regulation 2615/1980<sup>6</sup> adopted a special programme to address the issue of French problematic regions, Aquitaine, Languedoc-Roussillon and Midi-Pyrénées, and Italy - Mezzogiorno. It is worth noting that this was before the Greek Memorandum of 1981 and the demands expressed therein. On the other hand the principles endorsed in the IMPs Regulations were not novel either, as indicated by their elaboration and gradual evolution by the Commission also long before submission of the Greek Memorandum.

Therefore, it has been argued rather correctly that the Greek Memorandum came simply as a response to the schemes of the Commission itself to reform CRP, and it is precisely because of this that it met with a positive response.<sup>7</sup> A detailed discussion of the IMPs is not within the scope of this study,<sup>8</sup> however, it is important to examine certain points of this major development in CRP, which shows the Commission's involvement in the changing role of Subnational Authorities (SNA) in European regional policy-making.

Three major changes were introduced with the IMPs: a) the extended powers of the Commission which had now the ultimate power to select the

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<sup>5</sup> OJ 1985 L 197/1.

<sup>6</sup> EEC Regulation 2615/1980, of 7 October 1980, instituting specific Community regional development measure contributing to the development of certain French and Italian regions in the context of the Community enlargement (OJ L 271, 15.10.1980)

<sup>7</sup> Smyrl, M. E. (1998), *"When (and How) do the Commission's Preferences Matter?"* JCMS, Vol. 36, No 1, pp. 79-99.

projects,<sup>9</sup> b) the introduction of the multi-annual integrated approach in programming, and c) the participation of subnational authorities in policy-making process, which, although designated by the Member-States as provided by the respective clause, still acquired the status of interlocutor in policy making process which was the first serious step towards their further empowerment.<sup>10</sup> Although the reform was not so extensive as the one introduced in the 1988, it begs the question how the Member-States accepted the introduction of principles, which they had been resisting so far. It has been argued that, the consequences of the innovations were not perceived in advance by the national governments, which once aware of the unintentional impact of the new measures, tried to limit the powers conferred to the Commission.<sup>11</sup>

The interest of this interpretation lies in the fact that it is precisely the unintentional consequences of the bargains struck between the supranational institutions on the one hand, and the national governments on the other, that have earned special value in the multi-level governance approach, which transcended both state centric and supranational explanations of European integration.<sup>12</sup> Accordingly, the most important element of the 1985 innovations is connected to Delors's belief that not only the economic weakness of the Regions, but their lack of institutional capacity as well was compromising

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<sup>8</sup> See the analysis by DeWitte, B. (1990), *"The Integrated Mediterranean Programmes in the Context of Community Regional Policy"*. Florence, European University Institute Working Paper, Law 90/8.

<sup>9</sup> The ultimate decisional power was conferred to the Commission with the transformation of the management committee (composed mainly of national representatives) into a merely advisory body.

<sup>10</sup> Smyrl, M. E., (1998), *supra* p. 85.

<sup>11</sup> *Ibid* pp. 85, 94. According to the author, the Council, in the light of the Greek veto regarding Iberic accession accepted the reforms proposed by the Commission: Member-States were so eager to lift the veto, that they paid little attention to the details of the Commission's proposal.

<sup>12</sup> See Chapter Three, Section, *A theoretical framework*

'economic and social cohesion'.<sup>13</sup> The latter is of interest in the present study for two reasons:

a) both the 1985 and the 1988 reforms brought into relief the *institutional incapacity* of the Greek Regions vis-à-vis the exigencies of the reforms. In the first place there were no Regions in Greece when the IMPs were launched and were introduced precisely in the light of the IMPs, by Law 1612/1986.<sup>14</sup> Perhaps it is precisely because of lack of the regional tier in Greece, that it has been argued -rather correctly- that in fact empowerment of the Regions as introduced with the IMPs was not aimed at the Greek regions so much, but the latter were rather the pretext used by the Commission to bring about a reform of a much greater scale, on the whole of the Community territory.<sup>15</sup>

b) The second point of interest also related to Delors's idea of empowering the Regions is connected to the role of the Commission in this process. Accordingly, the Commission's strong interference in Greece regarding institutional reforms in CSFs application as discussed in the relevant chapters, can be seen and interpreted precisely in the above context.

### *The 1988 Reform.*

- *The notions of convergence and cohesion*

The reforms introduced with the IMPs announced the more extended changes introduced in 1988, which arose from the need for economic and social cohesion in the light of the single market. Cohesion in the European context initially conceived as convergence is not easily defined. It can be said though

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<sup>13</sup> Smyrl, M. E., (1998), *supra* p. 85. Regarding the increased powers of the Commission in particular and the role of J. Delors, see pp.90-96.

<sup>14</sup> Further discussed in Chapter Two.

<sup>15</sup> See Smyrl, M. E., (1998), *supra* p. 85. p. 93.



that it portrays “the degree to which disparities in social and economic welfare between different regions or groups within the Community are politically and socially tolerable”.<sup>16</sup>

This two-facet approach, i.e. the *economic* and *social* aspects evolved over the years. More specifically, convergence was initially understood in nominal terms, i.e. it referred to prices level, public deficit etc. However, the difficulty to achieve convergence in nominal terms when conditions of offer diverge due to different living standards, led to the redefinition of the objective with view to comprising real prices i.e. productive structures. It is at that point that the notion of convergence expanded to include that of social and economic cohesion. The evolution of the notion was similar regarding the regions: regional restructuring came to be seen as an instrument of real convergence between regional and national economies.<sup>17</sup>

Accordingly, the necessity of a regional policy of a clearly Community nature arose as a response to the goal of cohesion. In particular, the need for an *effective and efficient* application of the new CRP led to the introduction or rather confirmation and further reinforcement of operational tools<sup>18</sup> which, in turn, necessitated domestic administrative reforms. The *economic* justification for the development of a CRP was directly connected to the need to avoid the negative effects of market integration on the problematic regions of the Community,<sup>19</sup>

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<sup>16</sup> European Parliament, Directorate General for Research (1991), *“A New Strategy for Social and Economic Cohesion After 1992”*. Research and Documentation Papers, Regional Policy and Transport Series, No 19, Luxembourg, p.13. On the meaning and rationale of Cohesion and Regional Policy, see also, Gabriel, G. and Junius, L. (1998), *“Regional Policy and Cohesion”*, in Duff, A. et al (Eds), (1998), *“Maastricht and Beyond”*. London and New York, Routledge.

<sup>17</sup> Buzzelay A. and Hannequart, A. (1994), *“Problématique régionale et cohésion dans la Communauté Européenne”*. Paris, TEPSA, Economica, p. 20-21.

<sup>18</sup> The guiding principles endorsed in the 1988 reform had been elaborated by the Commission and partly introduced before 1988.

<sup>19</sup> Hooghe, L. and Keating, M. (1994), *“The Politics of European Union Regional Policy”*. JOURNAL OF EUROPEAN PUBLIC POLICY, 1:3, p. 368.

which in their turn would compromise the effort towards the completion of the single market itself.

Apart from the potentially negative economic effects, though to a lesser degree, concerns of *social* nature were added, circumscribed by the idea of a “*social market economy*”, which attempts to associate the concepts of freedom of opportunity and enterprise to “*the values of solidarity and mutual support*”.<sup>20</sup> An additional aspect of the social dimension relevant to the theme discussed here is connected to the concept of *endogenous development and mobilisation of local and regional potential*<sup>21</sup>. More specifically, the social case of the CRP was backed by the argument that local-regional development would allow people to remain in their communities preserving their cultural identity, instead of migrating “*to follow capital*”.<sup>22</sup>

However, this ideological arsenal was merely a set of “*underlying values*” in the debate about the CRP. In reality their significance laid mainly in their allowing “*arguments couched in the language of social integration to be counterpoised to market values*”.<sup>23</sup>

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<sup>20</sup> European Commission (1996), “*First Report on Economic and Social Cohesion-1996*”. p. 13.

<sup>21</sup> Hence, indirectly, also with the themes of regionalisation and decentralisation.

<sup>22</sup> Hooghe, L. and Keating, M. (1994), *supra*, p. 369.

<sup>23</sup> *Ibid*, p. 370. It is significant that in the light of the 1988 reform it was even argued that “*inequality must be reduced through redistribution of resources, even if it has some negative effects on growth, because for social and political reasons an increase of inequality in the Community is unacceptable*”. European Parliament (1988), “*The Economic and Social Cohesion of the Community*”. Research and Documentation Paper, Economic Series No 1. p. 15. This statement referring to social and the political ramifications of the potential negative effects indicates the significance of the political factor behind the evolution of the notion of convergence into that of social and economic cohesion. Solidarity established as a principle with the SEA served as a political imperative for the 1988 reform of the Funds. See Commission of the European Communities (1989), “*Guide to the Reform of the Community's Structural Funds*”. p. 10. However, as characteristically noted, these reforms were “*presented as a contribution to solidarity, but best understood as a traditional package deal*” Peterson, J. and Bomberg, E. (1999), “*Decision-Making in the European Union*”, London, MacMillan, p.151.

To reiterate, it was primarily economic concerns about compromise of the completion of the Single Market, and the political cost for national governments ensuing from a deterioration of social inequalities as a result of market integration, that led to the development of the CRP in general and the 1988 reform in particular.

- *The Single European Act and the Regulations*

The decisive moment for the 1988 reform came with the signing of the Single European Act. The crucial decision regarding the doubling of the budget commitments was taken by the Brussels European Council of 11-12 February 1988. Six days later the Commission's Communication to the Council describing the international and Community economic outlook for 1988, left no doubt about the economic foundations of the measures proposed in the same document with view to achieving cohesion.<sup>24</sup>

The second decision of the European Council made in June and December of the same year concerned the review of the principles governing the operation of the Structural Funds.<sup>25</sup> As noted before, the *political imperative* arose from the need to establish solidarity among the Regions of the Community, an idea that was elevated into a constitutional principle in SEA with Art. 130a establishing cohesion as an objective. The *economic imperative*, i.e. reduction of regional disparities and the resulting need for better administration of the Funds<sup>26</sup>, was met in Art. 130b, which provided for co-ordination of national policies, for common policies and the internal market as

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<sup>24</sup> Commission of the European Communities (1988), *"The Economic Situation and Outlook for 1988. Overcoming the Uncertainties"*, COM (88) 54 Final.

<sup>25</sup> Commission of the European Communities (1992), *Reform of the Structural Funds: A tool to Promote Economic and Social Cohesion"*.

<sup>26</sup> Commission of the European Communities (1989), *"Guide to the Reform of the Community's Structural Funds"*, p.11.

well as the structural instruments to be used as the means to achieve cohesion. Art. 130c incorporated the ERDF in the EEC Treaty, specifying at the same time its mission; i.e. redressing of the regional disparities, through helping the development of the regions whose development is lagging behind, as well as conversion of declining industrial regions.

It is Art. 130d that provided explicitly for the reform of the Structural Funds through a Framework Regulation, with view to addressing the issue of efficiency, the co-ordination between the Funds' activities and those of the other financial instruments, while Art. 130e provided for the adoption of further legislation in response to the Framework Regulation.<sup>27</sup> Accordingly, the following Regulations were adopted:<sup>28</sup>

- *Framework Regulation EEC Reg. 2052/1988*<sup>29</sup> defining the tasks of the three Structural Funds, their objectives, as well as general rules to ensure efficiency of, and effective co-ordination between their activities and between them and the activities of the EIB and the Community's other financial instruments, as amended by EEC Reg. 2080/1993<sup>30</sup>

- *Co-ordination Regulation EEC Reg. No. 4253/1888*<sup>31</sup> setting out implementing provisions for co-ordination of the Funds together with specific planning and financial rules which are common to all three Funds, as amended by EEC Reg. 2082/1993.<sup>32</sup>

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<sup>27</sup> *Ibid.*

<sup>28</sup> The 1993 reform is discussed later in this chapter.

<sup>29</sup> OJ No L 185/9, 15.7.1988.

<sup>30</sup> OJ No L 193/1, 31.7.1993.

<sup>31</sup> OJ No L 374/1, 31.12.1988.

<sup>32</sup> OJ No L 193/20, 31.7.1993.

- In addition to the above Regulations, specific regulations for the ERDF, ESF, and EAGGF respectively Council Regulations No. 4254/1988<sup>33</sup> as amended by EEC Reg. 2083/1993<sup>34</sup>, 4255/1988<sup>35</sup> as amended by EEC Reg. 2084/1993<sup>36</sup>, 4256/1988<sup>37</sup> as amended by EEC Reg. 2085/1993.<sup>38</sup>

- *The Operational Principles.*

As noted before, the reform and its underlying principles had their origins in the Commission's plans elaborated several years before its adoption, with view to using CRP for the promotion of a harmonious development throughout the Community. This is clearly stated in the Commission's Communication to the Council in 1986 after the signing of the SEA. The need to assist problematic regions with view to achieving a harmonious development is acknowledged as the impetus of the reform,<sup>39</sup> while there is specific reference to the new operational tools that would make up the fundamental elements of the 1988 reform: the notion of partnership as implied in the explicitly mentioned "*shared responsibility*", as well as departure from the re-distributional nature of regional policy. Equally, concentration of resources on five objectives,<sup>40</sup> the programme approach as opposed to individual projects,

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<sup>33</sup> OJ No L 374/15, 31.12.1988.

<sup>34</sup> OJ No L 193/34, 31.7.1993.

<sup>35</sup> OJ No L 374/21, 31.12.1988.

<sup>36</sup> OJ No L 193/39, 31.7.1993.

<sup>37</sup> OJ No L 374/25, 31.12.1988.

<sup>38</sup> OJ No L 193/44, 31.7.1993.

<sup>39</sup> Commission of the European Communities, (1987), *supra* p. 7. Also, Commission of the European Communities, (1992), "*Reform of the Structural Funds: A Tool to Promote Economic and ...*".

<sup>40</sup> Commission of the European Communities, (1987) *supra* pp. 13-14.



and the principles of partnership appear to have acquired a concrete form: *"Programmes will involve contracts between the Community, the member-States and the regions. They will involve joint preparation, monitoring and assessment, and they will thus lead to a fully-fledged partnership"*.<sup>41</sup>

These rules were incorporated in the Framework and Co-ordination Regulations to apply in common to all Member-States. Their interest here lies in that they often necessitated institutional reforms. The extent of the reforms depended on the degree of compatibility between the principles on the one hand and the existing domestic administrative arrangements on the other. Similarly, the degree of adaptability of the national systems to the reforms depended on what elements of the existing domestic arrangements were challenged by the new institutions. In other words, each time, the degree of administrative resistance has been directly analogous to the centrality of these elements in the political and administrative structures and practices of the Member-State in question.

### **1. Concentration**

Directly connected to the efficiency and effectiveness of structural interventions, the principle of concentration has a geographical and a financial aspect. Art. 1 of EEC Reg. 2052/88, (Framework Regulation), establishes five priority objectives and the criteria of eligibility for each of them, on the basis of the nomenclature of the territorial units (NUTS). Funds can be obtained for projects, as long as the region in question qualifies for one of the five objectives.

Art. 2 of the same Regulation provides for the financial aspect of the principle of concentration, stipulating that *"the Structural Funds.... shall contribute, each according to the specific provisions governing its operations, to the*

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<sup>41</sup> *Ibid* p. 14.

*attainment of Objectives 1 to 5 ..", while it also provides for the European Investment Bank (EIB) and the other financial instruments of the Community to contribute to the attainment of the objectives set in Art. 1.<sup>42</sup>*

Concentration signalled departure from the quota system, under which assistance was not focused on the regions in need, but was also going to Member-States with no particular developmental problems. Apart from involving channelling of the aid to the less prosperous regions, concentration suggested that the Member States could no longer dispose of Community funding at their discretion, because the eligibility criteria for the regions were set in advance.

Adoption of the principle also suggested that the more well off Member-States surrendered their financial claims in view of the objectives set by the SEA for the realisation of cohesion. It is not deemed essential at this point to enter the discussion as to why Member-States renounced at least at the formal - legislative- level-their centrality in determining resource allocation in the context of the CRP. The focus at the moment should be precisely on the resulting loss of power of the Member-States, as funds would be allocated to regions not any longer at the discretion of the national governments, but according to the criteria of eligibility set by the Regulations. The importance of this reform here is related to the ensuing changes in domestic policy-making procedures, reflecting the disturbed patterns of power and resource distribution.

More specifically, one of the far reaching consequences of this innovation, concerns the limitations placed upon national governments in using Community Funds for electoral purposes, by allotting sums to constituencies irrespective of whether they met eligibility criteria or not. In the

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<sup>42</sup> On the principle of concentration see Commission of the European Communities, (1992), Communication from the Commission. *"Community Structural Policies. Assessment and Outlook"*, COM(92) 84 Final. pp. 15-20 and on the allocation of assistance the Annex, p. 18.

case of Greece in particular, where clientelist practices have been the rule, and where resources for regional development have traditionally been used for the preservation of the centralised state along complex clientelist networks, the principle of concentration would have impaired seriously the central government's ability to impose its preferences. Nonetheless, the fact that the whole of Greece was eligible under Objective 1 for assistance cancelled this particular potential impact of the principle of concentration.

## 2. *Partnership*

Art. 4 of the Framework Regulation provides that *"Community operations shall... be established through close consultations between the Commission, the Member State concerned and the competent authorities and bodies – including, within the framework of each Member State's national rules and current practices, the economic and social partner, designated by the Member State at national, regional, local or other level, with all partners acting in pursuit of a common goal"*.

The so-called *"institutionalisation of consultation practices"*, i.e. the introduction of the principle of partnership is considered probably as the most valuable innovation in the application of the Funds.<sup>43</sup> The notion appeared in the Community documents concerning regional policy in the early 1980s<sup>44</sup> and was introduced with the EEC Reg. No. 1787/84 reforming ERDF. Along with subsidiarity it was articulated in the Regulation 2088/1985, as were clauses

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<sup>43</sup> European Commission (1995), *"The Implementation of the Reform of the Structural Funds in 1993. Fifth Annual Report"*. p. 111.

<sup>44</sup> See among others the proposal of the Commission to the European Council of Ministers, on 29 October 1981 in OJ, No C336, 23.12.81. p. 60. Also: Commission of the European Communities 1984, *"The Regions of Europe"*: Second Periodic Report Also: OJ, No L 169, 28.6.1984. In addition, the joint declaration by the Council, the European Parliament and the Commission: OJ, No C72/59, 18.3.85. Moreover: Commission proposal to the Council on 29 Oct. 1981, OJ, No C336, 23.12.81. p. 61.



elevating sub-national authorities to quasi-equal partners in the management of the Programmes.

The reform of the Structural Funds in 1988 further reinforced the principle and widened its content. Following the reports on the implementation of the principles underlying the Funds which indicated a rather poor participation of the socio-professional organisations,<sup>45</sup> the 1993 reform further strengthened the principle of partnership by providing inclusion of the social and economic partners, leaving however their designation at the discretion of the Member - States.<sup>46</sup>

The reason why partnership has been gradually strengthened to the point of penetrating almost every stage of the management of the Funds should be sought in the dilemma of how to better utilise the increasingly limited resources available for economic growth. Effectiveness has become thus an imperative and a principle in its own right, although not mentioned among the governing principles of the Structural Funds Regulations. Against this background, broad partnerships are expected to bring together information and expertise from different levels and bodies, both governmental and non governmental, public and private, with view to combining and joining their efforts towards better results in the operation of the Structural Funds.

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<sup>45</sup> See among others, European Commission (1991), *"Annual Report on the Implementation of the Reform of the Structural Funds 1990"*, p. 11.

<sup>46</sup> The Commission deeming the contribution of management and labour important in achieving the objectives of the reform of the Funds encouraged and established a dialogue through a series of meetings with social and economic partners and national and regional administrations, in which the principles of the reform were discussed as well as their application. This has had as a result the establishment in some Member - States of a channel of information with the social and economic partners. See, European Commission (1991), *supra*, pp. 12-13. The Commission's efforts to further involve the social partners in the application of the Funds, have found expression in a series of initiatives of consultative nature meant to broaden partnership. This has taken place despite the fact that there were not formally established structures and procedures to support these initiatives. It is characteristic that as part of the effort to enhance the role of the social partners, trade unions were involved in carrying out studies regarding the role of the social partners in the application of Community

Therefore, it is not accidental that the growing importance of partnership and its gradual development coincides with the launching of the Single Market and the Single European Act in 1987, and the following big step which is the signing of the Treaty on the European Union in 1991.<sup>47</sup>

Partnership and its corollary principle, subsidiarity, are directly linked to the issue of decentralisation of powers in the CRP context, as the most obvious rule involving participation of regional, local and social and economic partners. Nonetheless, its quality depends on domestic administrative traditions. A typical instance of this are the Monitoring Committees<sup>48</sup> thought of as the par excellence expression of partnership. Their tasks include programme management, ensuring transparency, information diffusion and the development of debate. However, and again as the case of Greece indicates, decisions are usually reached outside the Monitoring Committees, which tend to meet in order to endorse officially what has already been decided upon.

Moreover, the margins left for institutional change induced by the application of the principle of partnership are limited by the wording of the relative clause, according to which, partnerships are to be conducted "*within the framework of each Member State's national rules and current practices,*" while the partners are more over "*designated by the Member State*", which means that at least officially, the Community is not interfering with the Member States' internal structures and practices.

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Regional Policies. See, European Commission (1994), "*The Implementation of the Reform of the Structural Funds 1992. Fourth Annual Report*" . pp. 79-80

<sup>47</sup> An example of the importance attributed to the function of partnership in achieving social and economic cohesion, is the emphasis placed by the Commission in its White Paper on European Social Policy, on broader partnerships including NGOs, trade unions and other social and economic partners (Place in footnote) Commission of the European Communities (1994), "*European Social Policy: A Way Forward for the Union. A White Paper*". COM (94) 333.

<sup>48</sup> Art. 25, par. 3, Co-ordination Regulation.

Furthermore, it is stipulated that the "*partnership will be conducted in full compliance with the respective institutional, legal and financial powers of each of the partners*". This has proven a powerful factor in the application of the Funds. It is directly related to the issue of command of resources, which determines the negotiating power of each partner, and is to be seen against the background of potentially changing dynamics between the Community institutions and national authorities, but also and principally between the national authorities and sub-national entities and other partners.

As indicated in the case of Greece, the "*respective powers*" of the partners have influenced greatly the application of the principle. Research has revealed that lack of resources of local and regional as well as social partners impinged upon both the letter and the substance of the principle. Consequently, the weakness of local government entities in Greece has been a reason why the latter have been unable to successfully assume successfully the role assigned to them by the new operational tools, in the context of partnerships.

Nonetheless, and despite the modest results that vary from Member - State to Member - State depending on the existing national institutional arrangements, there has been a clear move towards wider participation of the social partners in the operational tasks of structural policies already at the end of the first programming period.<sup>49</sup>

Partnership is embodied in *evaluation* conceived as "*a shared responsibility*",<sup>50</sup> the usefulness of which was brought into relief because of the need for efficient use of the resources. Although it was practised in the USA

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<sup>49</sup> It has been a "*gradual learning process through practical experience*". See European Commission (1995), "*The Implementation of the Reform of the Structural Funds in 1993. Fifth Annual Report*". p. 112.

<sup>50</sup> Art. 4 and 6 of the Framework Regulation and Art. 26 of the Co-ordination Regulation refer to *evaluation*, which is to be conducted in the context of partnerships. See also, European Commission (1999), "*Better management through evaluation*", Luxembourg, Office of Official Publications.

and Canada since the 1970s, for most Member-States evaluation started to develop in the early 1990s, in the context of the Community Structural Policy.<sup>51</sup>

In use already in the context of the IMPs, evaluation was made obligatory for all Structural Funds interventions, and was linked to monitoring and re-programming with the 1988 reform, while it was strengthened with the 1993 revision of the Structural Funds.<sup>52</sup> What is of particular interest here, is the gradual impact that the practice of evaluation is having on domestic administrative practices. Three different groups emerged as a result of a survey conducted in the Member-States on the application of evaluation. The first group comprises those countries in which while evaluation is seen and practised as a statutory obligation arising from the Structural Funds Regulations, it is however beginning to be considered as a management tool. The example of Spain is illustrative: the practice of evaluation apart from contributing to better management of Community structural interventions is moreover growing into an evaluation culture.<sup>53</sup>

The second group includes those States in which national adaptation went soon beyond a simple response to the statutory obligation, and evaluation is fully incorporated into the administrative culture as a management tool.<sup>54</sup>

Finally, a third group includes those countries, in which evaluation was developed and practised before the enforcement of the EEC Regulations, basically the Scandinavian countries, but also the UK and Ireland. In these

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<sup>51</sup> Centre for European Evaluation Expertise (1998), *Development of evaluation of structural interventions in the Member-States*. Draft Synthesis of a report on a study carried out in Member-States.

<sup>52</sup> While Articles 4 and 6 of the 1988 Framework Regulation refer to "assessment", and "ex ante" and "ex post evaluation" respectively, the 1994 revised Articles 4 and 6 introduce the first "ex ante appraisal", "monitoring" and "ex post evaluation", and the second "prior appraisal", "monitoring", and "ex post evaluation".

<sup>53</sup> Centre for European Evaluation Expertise (1998), *supra*.

<sup>54</sup> *Ibid.*

countries, evaluation is seen as a political act, i.e. it provides information for the public in the context of transparency and public scrutiny regarding effective and efficient administration of the funds. As pointed out, in that sense "*evaluation becomes a tool in the democratic game*".<sup>55</sup>

The findings of the above report offer support for the argument according to which, a certain practice when repeated crystallises and becomes a new logic.<sup>56</sup> It is though significant that this occurred to different degrees in the Member-States. Greece for example still belongs to the first group,<sup>57</sup> which should be attributed to resistance of domestic opportunity structures as shown in Chapter Four.

### 3. *Programming*

Constituting one of the major aspects of the 1988 reform, programming was stipulated in Art. 6 of EEC Reg. 2052/1988 (Co-ordination Regulation). A period of five years was indicated in the relevant clause.<sup>58</sup> The essence of the principle consists in departure from piece meal approach and dispersion of resources on a large number of small projects, towards incorporation of actions into large multi-annual programmes.

Initially the *development plans*, submitted by the Member-States to the Commission for approval are expected to offer an assessment of the situation at

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<sup>55</sup> *Ibid*

<sup>56</sup> As discussed in Chapter III, this approach is adopted by a certain group of intellectuals and politicians, aspiring to reform of the Greek State and society in the European context.

<sup>57</sup> Centre for European Evaluation Expertise (1998), *supra*.

<sup>58</sup> An exception was made for the Objective 2 Regions, which allowed for a three-year programming period.



national or regional level, as well as the government strategy envisaged.<sup>59</sup> The next stage concerns the *Community Support Framework*, which corresponds to a document, approved by the Commission after assessment of the development plans submitted by the Member-States. It comprises description of the situation, sets the priorities and objectives, and specifies the strategy to be followed.<sup>60</sup> It may involve implementation of one or more operational programmes, funded by one or more financial instruments. In the case of Greece e.g. it consists of several operational programmes of national scope, and thirteen Regional Operational Programmes, (ROPs). Community Support Frameworks and Single Documents constitute the outcome of negotiations involving the Commission, the Member States, and the Regions. The main difference between the two types of documents lies in the procedure of approval of the respective programme: whereas in order for the CSFs to be applied the relevant programmes need to be approved in advance, the Single Documents are immediately operational.<sup>61</sup> CSFs are used for Objective 1 Regions, while SDs for Regions of the other Objectives as well as in ten Objective 1 Regions.<sup>62</sup>

An important aspect of the programme approach is related to the status of CSFs. Art. 10 of Reg. 2082/1993 stipulates that a Commission decision issued on a CSF should be sent to the Member-State concerned and published in the Official Journal. Subsequently, it is the decision that has a legal status and not the CSF, which is a form of soft-law. There is great confusion regarding the notion of soft law, which was introduced in public international law in the

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<sup>59</sup> European Commission (1993), *"Community Structural Funds 1994-1999"*, p. 22.

<sup>60</sup> Art. 8 of the Co-ordination Regulation specifies the information to be comprised in the CSF.

<sup>61</sup> Commission of the European Communities (1995), *"Greece - Regional Development Programmes 1994"*.

<sup>62</sup> *Ibid*

1970s.<sup>63</sup> According to one of the most prevailing definitions, it is "*an umbrella concept for normative phenomena that display the characteristics of law because they are influencing and restricting the will and freedom of their addressees, but on the other hand do not establish a genuine international obligation, but do leave room for a 'soft obligation'*".<sup>64</sup> This quality of the CSFs, allows for the re-negotiation of the terms included in them, while at the same time serves as a legal basis for reforms. Indeed, in the case of Greece, during the 2<sup>nd</sup> programming period reforms were introduced in application of clauses included in the CSF 1994-1999.

Therefore, regarding the issue of administrative reform in CRP-making context, two distinctive stages can be discerned: **a)** the adoption of the operational tools discussed and decided upon during the initial phase and **b)** the stage during which these new principles need to materialise into specific legal and structural measures at the domestic level, during the implementation of the CSF. It is during this latter phase that the dynamics of domestic administrative arrangements of power and resource distribution are released. It is this phase that this study is focusing on.

The 'soft-law' attribute of the CSFs is important in one more sense: apart from allowing for a flexible approach and adjustment, at the same time and probably *because* of this, it promotes the role of the Commission as an overseer of the implementation of the Treaties. More specifically, the Member-States which would be inclined to avoid compliance with Community law, are allowed additional discretion in the context of the CSFs due to the flexibility offered by the soft law quality of these documents. It is at this point that the Commission interferes to guarantee that the programmes are implemented with no significant divergence from the aims set in the CSFs.<sup>65</sup>

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<sup>63</sup>Wellens, K. and Borchardt, G.M. (1989), "*Soft Law in European Community*". *European Law Review*, Vol. 14, pp. 267-321.

<sup>64</sup> *Ibid*, p. 272.

<sup>65</sup> On the need for flexibility see the Treaty on the European Union, the Protocol on Economic and Social Cohesion.

Another important element of the programme approach is connected to the elaboration of the Regional Development Plans, which following negotiation between national authorities and the Commission become the CSFs. Their nature and content involve the existence of resources at all levels of the administrative system in terms of staff and technical infrastructure, and a certain degree of prior experience in drawing development plans, and in that sense, it may challenge directly domestic administrative arrangements. Again, the case of Greece has been illustrative in that sense.

Moreover, as shown in later chapters, a major challenge for the Greek administrative system and practices has been departure from the piece meal approach and dispersion of resources on a large number of small projects. Traditionally, over-fragmentation of projects into tiny works has been a major feature of regional policy in Greece, connected to local electoral considerations, in combination of Local Self-government Organisations (LSGOs) incapacity to carry out large-scale projects. Again, the domestic system displayed a low capacity to adaptation because central elements of the domestic administrative culture were challenged by the new principle.

#### **4.     *Additionality***

Additionality<sup>66</sup> was introduced and applied for the first time with the 1988 reform, and meant that the increase in resource allocation through the Structural Funds would lead to an equivalent increase of national resources allocated for regional development.

Compliance with the principle can be measured against two criteria: a) the macroeconomic aspect, according to which Community resources released through the funds must be added to national expenditures. Member-States are

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<sup>66</sup> Art. 9 EEC Reg. 4253/88 (Co-ordination Regulation).



not supposed to reduce their structural expenditure during the whole period of the application of the Community assistance. **b)** The microeconomic aspect, according to which sums should reach the intended recipients of the assistance. This aspect involves transparency in financial transaction.<sup>67</sup>

Verification of the principle was expected to be completed at the end of the programming period, however, it is the Commission's responsibility to carry out the task at regular intervals, and the first effort was made already at the end of the first year of the reform, i.e. 1989. Various serious problems were manifest from the beginning, especially regarding the difficulty to collect the necessary information from the Member-States. An additional problem was connected to the fact that the Commission could not be sure about the correctness of the data provided. Throughout the first programming period, several technical problems were invoked by the member-States in relation with the requirement of providing statistical and budgetary data. It seems that the countries covered by Objective 1 had less difficulty in carrying out the task. The situation was particularly unsatisfactory during the first years of the implementation of the reform, to the point that the Commission could not draw conclusions in most cases.<sup>68</sup> Italy has been a particularly difficult case, while during the first years the problems were more acute in Objective 3 and 4 Regions.<sup>69</sup>

The Commission pointed out that full co-operation of the Member-States was required in order to fulfil the task of verification successfully. By 1991, the problems continued with Italy and the United Kingdom and to some extent with the French overseas departments. The conclusion was reached that the

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<sup>67</sup> European Commission (1994), *"The Implementation of the reform of the Structural Funds. Fourth annual report 1992"*.

<sup>68</sup> Commission of the European Communities, (1992), *"Second Annual Report on the Implementation of the Reform of the Structural Funds. 1990"*.

<sup>69</sup> *Ibid*

wording of the Article 9 of the co-ordinating regulation 4253/1988 was not appropriate. In response to these problems the Commission took the following initiatives. First it sought to improve the co-operation with the Member-States through bilateral contacts, which had some satisfactory results in 1992. Regarding legal provisions, the Commission proposed and succeeded the review of Article 9 of the co-ordinating regulation in March 1993 when the second reform of the Structural Funds occurred. The review of the legal provision was expected to provide a more explicit definition of additionality, while it would at the same time allow some flexibility as to the particular administrative and technical realities of the Member-States.<sup>70</sup> Acknowledgement on the part of the Commission that reform was needed to ensure flexibility vis-à-vis the particular conditions of the Member-States is indicative of the awareness of the significance of domestic administrative arrangements, and the serious obstacles they can pose to reform.

To reiterate, the application of the principles endorsed with the 1988 reform have challenged domestic administrative systems to various degrees, depending on their compatibility with the latter.

### *The 1993 reform*

The 1993 reform followed the Edinburgh Summit of 1992. It was due to the financial provisions adopted there that the review of the Funds became necessary and the Commission was asked to "*table as soon as possible proposals to revise the Structural Fund regulations*".<sup>71</sup> In proposing the reform 1993 of the Structural Funds the Commission noted that its aim was not to initiate a broad change like the one introduced in 1988, but to build and improve on the

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<sup>70</sup> European Commission (1994), *supra*.

<sup>71</sup> Commission of the European Communities, COM(93) 67 final, "*The Community's Structural Fund Operations 1994-1999*".

existing situation. A fundamental change would among others create uncertainty and delays.<sup>72</sup>

Although of a limited scope, the 1993 reform suggests that the Commission is not enjoying unlimited discretion in institutional design regarding administration of the Funds. The intention of French, British, German and Spanish governments in light of Delors II was to re-nationalise regional policy limiting the Commission's powers. One of the arguments put forward in support of this position was that national executives were more capable of efficient administration of regional policy funding.<sup>73</sup>

The attitude of the Member-States towards the Commission, and their effort to regain control over CRP diminishing its power is enunciated in the Commission's official documents on the 1993 reform. Noting that there was "*a great deal of decentralisation*" during the first programming period, the Commission stressed in its proposal the need for more careful division of responsibilities, and the need to respect the principle of subsidiarity as "*the guiding principle*". There is repeated reference to subsidiarity and emphasis on the need to increase the responsibility of the Member-States and the Monitoring Committees. It is characteristic that, the Commission feels obliged to reassure the Member-States' that their "*prerogative of implementing programmes is not encroached on by the increase in the attribution of the Monitoring Committees which are designed rather to reduce the number of decisions to be taken at Community level*".<sup>74</sup> This somehow apologetic attitude was dictated by the

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<sup>72</sup> *Ibid.*

<sup>73</sup> Marks, G. (1996), "*Exploring and Explaining Variation in EU Cohesion Policy*", in Hooghe, L. "*Cohesion Policy and European Integration: Building Multi-Level Governance*", Oxford, New York, Oxford University Press, pp. 393-394.

<sup>74</sup> Commission of the European Communities, COM(93) 67 final, "*The Community's Structural ...*", *supra*.

strong criticism on the part of the Member-States regarding the Commission's power.<sup>75</sup>

However, despite the strong coalition in favour of re-nationalisation of CRP, the changes finally effectuated were rather modest. The most significant one occurred in the process of programming. Whereas in the 1988 reform, there were three stages, as described above, the whole process was now simplified into two stages. During the first one, state executives drew a regional development plan, which was negotiated bilaterally with the Commission in the second stage into a Community Support Framework.<sup>76</sup> The new arrangement limited the degree to which the Commission could determine the final form of the plans during the negotiation stage, as the plans submitted by the Member-States were more detailed than during Delors I. It furthermore limited the role of sub-national actors, because they are involved at a stage prior to the negotiation of the general priorities with the Commission.<sup>77</sup>

The effort of the Member-States to gain control over designation of the Regions eligible for funding resulted in the 1988 economic criteria for funding becoming more flexible to accommodate Member-States demands, and include Regions that under the 1988 regime were not eligible. However, it seems that finally, the Commission's discretion in funds allocation was rather increased, as the Member-States applied for funding for more regions than they thought to fulfil the criteria, which resulted in the Commission playing the role of the arbitrator, and thus being able to influence the outcome to a greater extent. The other innovations were not substantial and influenced respectively to a minor

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<sup>75</sup> On the attitude of the Member-States regarding the Commission's powers see also, Endo, K. (1999), *"The Presidency of the European Commission under Jacques Delors. The Politics of Shared Leadership"*. London, Macmillan Press, p. 192.

<sup>76</sup> Marks, G. (1996), *supra*.

<sup>77</sup> *Ibid.*

degree the balance of power between the Commission and the Member-States.<sup>78</sup>

### *The Reforms, the Commission, and the Regions*

The significance of the innovations introduced in 1988 lies among others, in that they promote decentralisation of Community action. The quintessence of this approach is to be found in the Commission's expectations that activation of the regions through partnership would secure it allies in its effort to bypass national governments' unwillingness to proceed to the implementation of the SEA which, nevertheless, they had signed. Indeed it has been argued that the "*the very nature of the reform was to foreclose the freedom of action of national governments by way of instituting administrative procedures, regulations and multi-annual programming*".<sup>79</sup>

The need to secure allies in this process arose especially during J. Delors's tour in the capitals of the Member-States after the signing of the SEA. Reactions of the national governments caused him anxiety regarding the political will of the national governments to adopt the measures necessary for the implementation of the SEA, which nonetheless they had signed. Delors realised that it was precisely the political will or lack of it, that would lead to either "*a truly common economic area*", or, on the contrary, "*a hazy free trade area*"<sup>80</sup>. Owing to these fears, in his speech in the EP during which he introduced the Commission's programme for 1987, Delors appealed repeatedly

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<sup>78</sup> *Ibid.*

<sup>79</sup> Christiansen, Th. (1997), "*Tensions of European governance: politicized bureaucracy and multiple accountability in the European Commission*" JOURNAL OF EUROPEAN PUBLIC POLICY. 4:1, pp. 73-90.

<sup>80</sup> Delors, J. (1987), *supra* p. 26.



to the Parliament's support whose alliance he considered vital for the adoption of the measures required by the SEA.<sup>81</sup>

Along the same line of thinking, when Delors announced the new CRP in 1986, apart from the new policy of cohesion which acquired institutional status in the SEA, he also declared the Commission's intention to establish a new enhanced role for the sub-national authorities in the decision-making process of the Community.<sup>82</sup> This is how the idea of a *Europe of the Regions* arose. It implied that economic convergence can and should be parallel to administrative convergence. In fact, this is what the Commission sought by giving the exact specifications of the way that the Regions were to acquire power and assume their new role: *"The objective was to empower sub-national authorities in the European arena, including those from the member states where they are extremely weak, and by specifying how this empowerment should be organised, to achieve a uniform pattern of sub-national involvement. It was an ambitious attempt to transform, in this policy area, the Europe without the regions into a Europe with all regions"*.<sup>83</sup>

However, the degree to which the aim of the Commission was achieved depended largely on existing domestic arrangements. More specifically, it is argued that the degree to which the Regions have been able to exploit the new tools depended on the resources available to them, which is a question of the existing arrangements regarding domestic patterns of powers and resources distribution. This explains why certain regions were empowered whereas others were less or not at all. Therefore, the vision of a Europe of the Regions is subject to the conditions set by national politico-administrative arrangements.

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<sup>81</sup> *Ibid.*

<sup>82</sup> See, Hooghe, L. (1996), "Building a Europe with the Regions: The Changing Role of the European Commission", in Hooghe, L. (ed) (1996), *"Cohesion Policy and European Integration: Building Multi-Level Governance"*, Oxford New York, Oxford University Press, p.89.

<sup>83</sup> *Ibid.*, p. 90.



The Commission has acknowledged the variation of power and resource distribution within the Community, and the difficulty to deal with it: *"There is no regionalisation without suitably empowered regional institutions. However, the jurisdictions and financial resources of the regions vary widely. ... This lack of uniformity means that the Commission will have to deal with regional representatives with powers differing from State to State"*<sup>84</sup>.

### *The European mechanisms of domestic reform*

In order to examine the impact of the two CSFs on administrative arrangements in Greece, it is necessary to identify the mechanisms of reform. These can be demarcated at three levels:

1. *The Regulations issued in the context of 1988 reform and the operational tools and principles introduced thereby.*

The Regulations, the principles they introduced, their potential impact on policy process, and the reforms ensued at the national level have been analysed above.

2. *The Community Support Frameworks, as provided for in the Co-ordination Regulation, and the terms specific to Greece included therein.*

The nature of CSFs and their role in administrative changes is discussed earlier in this chapter.

3. *Community legislation applying in public works production.*

Since empirical work in this dissertation focuses on this sector, the relevant Community legislation is discussed here. Public works production in the Community context is regulated:

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<sup>84</sup> Commission of the European Communities (1992), *supra* p. 20.

a) By the general principles of the EEC Treaty i.e.:

- Art. 14 on free of movement of goods, persons, services and capital
- Art. 28 and Art. 29 prohibiting quantitative restrictions on imports and exports
- Art. 43 on freedom of establishment of nationals of Member-States in the territory of another Member-State
- Art. 49 on freedom to provide services within the Community.

b) Furthermore, secondary Community legislation i.e. Council Directive 93/37/EEC of 14 June 1993<sup>85</sup>, as amended by Council Directive 97/52/EEC provide for the co-ordination of the procedures of award of public works contracts.

Briefly, the above legislation provides for open procedures in the award of public contracts. It sets limits to the cases in which a public work contract can be awarded directly bypassing the procedure of open competition, by prohibiting fragmentation of works: "*No work or contract may be split up with the intention of avoiding the application of the Directive.*"<sup>86</sup> Responsibility for the application of Community law lies mainly with the Member-States, although all parties concerned are responsible, often including private actors,<sup>87</sup> which is

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<sup>85</sup> This directive constitutes the codification of the following directives: Council Directive 71/305/EEC of 26 July 1971 concerning the co-ordination of procedures for the award of public works contracts, as amended by Council Directive 78/669/EEC of 2 August 1978, Council Directive 89/440/EEC amending Directive 78/669/EEC, Council Directive 90/531/EEC of 17 September 1990 on the procurement procedures of entities operating in the water, energy, transport and telecommunications sectors.

<sup>86</sup> Art. 6, Council Directive 93/37/EEC of 14 June 1993 concerning the coordination of procedures for the award of public works contracts as amended by Council Directive 97/52/EEC.

<sup>87</sup> Curtin, D. and Mortelmans, K. (1994), "*Application and Enforcement of Community Law by the Member States: Actors in Search of a Third Generation Script*" in Curtin, D. and Heukels, T. (Eds), "*Institutional Dynamics of European Integration*". Dordrecht/Boston/London, Martinus Nijhoff Publishers, p. 431.

related to the issue of the self regulatory capacity of the society. More specifically, with regards directives, it has been pointed out that a state's choice to comply with them *"is a decision with distributional consequences... a matter of choice by the state to discipline civil society"*.<sup>88</sup> Against this background, the political will to comply with directives is analogous to domestic resistance by groups and individuals whose behaviour is influenced by the directive in question. As a result, the degree of compliance is directly linked to the issue regulated by the directive and the actors involved in it. In other words, compliance *"may be a matter of self-regulation"*.<sup>89</sup>

Characteristically, public works production in Greece involves both public and private actors, and compliance with EU directives regulating this sector has been affected by the resistance displayed by the respective network. Consequently, compliance with the relevant directives brought into relief the issue of a weak civil society a factor directly connected to the low *self reforming capacity*<sup>90</sup> of the Greek society in general, and subsequently affecting *self regulation* in the European context more particularly. Moreover, as shown in later chapters, there is a direct link between the reasons of the low self-reforming and self-regulatory capacity of the Greek society on the one hand and traditional opportunity structures on the other.

### *The Commission, the enforcement of Community Law, and domestic reforms.*

As noted before, developments in CRP have been influenced by the fear of the Member-States that a CRP of supranational character would involve

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<sup>88</sup> Haas, P. (1998), *"Compliance with EU directives: insights from international relations and comparative politics"*. Journal of European Public Policy, 5:1, pp.17-37.

<sup>89</sup> *Ibid.*

<sup>90</sup> Discussed in Chapter Three.

shrinkage of the role of national governments. These fears were related mainly with the Commission's role as a supranational agent and 'guardian of the Treaties' and they are not ungrounded. Although policy formation is one field in which the importance of the Commission's role is evident, policy implementation has greatly promoted its role in the process of integration.<sup>91</sup> Under Art. 226 (ex Art. 169) of the EEC Treaty, the Commission is assigned the role of the guardian of the Treaty, which involves ensuring that Community Law is observed by the Member-States.

Community Law is only partly implemented and enforced by Community institutions and mainly by national legal systems and administrations,<sup>92</sup> and this is the reason why implementation becomes problematic. Non-compliance takes a variety of forms.<sup>93</sup> It may come as a result of positive action or omission on the part of a Member-State. In that case, the Commission may have recourse to the provisions of Art. 226, and bring the Member-State concerned before the Court of Justice.<sup>94</sup>

However, so far the Commission has shown preference to other informal, milder procedures, even when it is established beyond doubt that there has been a breach of law. The reasons for this preference are connected to expediency. It is argued for example that the procedures provided for in Art. 226 require considerable human resources that the Commission does not

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<sup>91</sup> Mendrinou, M. (1996), "Non-compliance and the European Commission's role in integration". JOURNAL OF EUROPEAN PUBLIC POLICY, 3:1, pp. 1-22.

<sup>92</sup> Snyder, F. (1993), "The Effectiveness of European Community Law: Institutions, Processes, Tools and Techniques". THE MODERN LAW REVIEW, Vol. 56, pp. 19-54.

<sup>93</sup> *Ibid*, pp. 22-23.

<sup>94</sup> The procedure consists in an administrative and a legal stage. For more details see, Ellis, E. and Tridimas, T. (1995), *"Public Law of the European Community: Text, Materials and Commentary"*. London, Sweet and Maxwell, pp. 340-373. Also, Dashwood, A. (1989), "Enforcement Actions under Articles 169 and 170 EEC". EUROPEAN LAW REVIEW, Vol. 14, pp. 388-412. Moreover, see Snyder, F. (1993), "The effectiveness of European ...", *supra*, pp. 19-54.

possess. On the other hand, milder forms of action help the development of an amicable ambience in the Community, contributing to smoother integration.<sup>95</sup>

It is on account of these factors that the soft-law aspect of the CSFs (as an element of programming) in combination with the principle of partnership becomes important in the discussion of administrative reform. More specifically, amiable measures consist in "soft law" and structural reform of national administrations.<sup>96</sup> Significantly, the latter is defined as *"a type of social, usually institutional adjustment, involving the reallocation of power. In the Community setting, such reforms are likely to affect the distribution of power between the Community and the member-States, among Community Institutions and among various parts of the national governmental systems"*.<sup>97</sup>

Moreover, the reforms are expected to occur in the context of partnerships, i.e. *"...relations between bureaucratic organisations"*, understood as *"bureaucratic interpenetration... or interorganisational exchange...often called parténariat (partnership)"*.<sup>98</sup> On the one hand, the CSFs as one stage in the process of programming and at the same time a document containing the goals and the means to be achieved sets the framework for, in a certain way announces and often contains specific clauses for administrative reforms required for its implementation. On the other hand, because the reforms are *"likely to affect the distribution of power..."*, partnerships are deemed the right setting in which to work out and decide upon such sensitive matters as changes in the existing balance of power. In that sense, partnerships would be expected to ensure wider consensus, and therefore effectiveness of both the reforms and subsequently the CSF itself.

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<sup>95</sup> See Ellis, E. and Tridimas, T. (1995), *supra*, pp. 343-344.

<sup>96</sup> All measures are based in Articles 4 and 155 EEC. On the powers of the Commission. Snyder, F. (1993), *supra*, p. 27.

<sup>97</sup> Emphasis added. *Ibid*, p. 36.

<sup>98</sup> *Ibid*, p. 36.

Nonetheless, empirical research in Greece has shown that in most cases, institutional reform was decided in absentia of most parties concerned e.g. bureaucrats and Subnational Authorities (SNA), and was rather imposed by the Commission. As a result, some of the most important innovations introduced after negotiations between the Greek government and the Commission have been strongly resisted by the bureaucracy. Consequently, their introduction was delayed and made possible only after the Commission threatened to discontinue funding. Even then, the new institutions were not successful and the expected positive impact on the CSF application was rather mediocre. As discussed in a later chapter, Greek civil servants have interpreted this intervention as an effort on the part of the Commission to further its influence.<sup>99</sup>

### *The role of institutions and administrative cultures in regional development.*

An important aspect of the 1993 reform is worth discussing here, as directly related to the core hypothesis of the thesis. More specifically, the Commission's observations as regards the application of the regulations in the period 1988-1993 highlight the importance of administrative cultures in adaptation of national administrations to structural policy's requirements.

In 1992 and on the eve of the introduction of the second programming period, assessing the application of the 1988 reforms the Commission found it rather mediocre. The programme approach for instance proved too challenging for some Member-States, which were not used to the techniques required by this approach. Furthermore, technical assistance and partnership did not work

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<sup>99</sup> This is illustrative of the argument according to which, "as a civil service, the Commission would naturally give way to its political masters. As an independent political animal, the Commission is keen to extend its power and play a politically strategic role in setting the goals of the community itself".



as well as expected. The problem was located in the different administrative traditions and cultures, and the Commission admitted that it was rather unrealistic to expect a homogeneous response from countries with great differences: *"Indeed, the reform's regulations imposed identical obligations on Member-States with cultures and administrative traditions as different as, for example, Germany and Greece"*.<sup>100</sup> This is a clear indication of the cultural determinant arising as an important factor in the success of the reforms. As a result, the Commission estimated that a review of the reform was required in order to achieve simplicity and flexibility after 1993.<sup>101</sup>

Indicative of the Commission's growing interest in institutions and administrative culture is the fact that six years later, on the eve of the third programming period, having assessed the application of Delors II, it stresses their importance in the Sixth Periodic Report on the Social and Economic Situation and Development of the Regions of the European Union. Institutional elements such as social capital in the form of business culture and shared norms and values, as well as principles governing public administration are considered as decisive elements in competitiveness and regional development.<sup>102</sup>

Drawing among others on new-institutionalist theory, the Report adopts D. North's definition of institutions, comprising structures but also culture, norms and values as well as legal and fiscal systems. It is pointed out that although in the past such factors were neglected in economic analysis, they are

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Usher, J. (1994), *"The Commission and the Law"*. In Edwards, G. and Spence, D. (eds), *"The European Commission"*, London, Longman, pp. 146-168. Quoted in Cram, L. (1999), *supra*, p. 47.

<sup>100</sup> Commission of the European Communities (1992), *Reform of the Structural Funds: A tool to Promote Economic and Social Cohesion*.

<sup>101</sup> *Ibid.*

<sup>102</sup> European Commission: (1999) *"Sixth Periodic Report on the Social and Economic Situation and Development of the Regions of the European Community"*. Introduction.

increasingly thought to be “*fundamental to the behaviour of economies*”,<sup>103</sup> and that “*the efficiency of the institutional structure of a region is, therefore, increasingly considered to be a significant factor in regional development*”.<sup>104</sup> Furthermore, the Report emphasises the role of the Structural Funds procedure in introducing new cultural elements in national administrative systems, through application of the guiding principles enshrined in the relevant Regulations, revealing precisely the aim to bring about permanent changes in the performing logic of national administrations.<sup>105</sup>

Recapitulating, it is evident that the cultural-institutional element arose and was gradually acknowledged as a dynamic factor in regional development, as the difference in domestic administrative cultures unveiled the difficulty to establish a homogeneous system in the Funds’ management.

### **National Adaptation to European Integration: the Literature**

Academic concern with the issue of national public policies and policy styles in the process of integration has given rise to an extensive literature. A number of studies are pre-occupied with the process of adaptation of national policies and administrative systems in general, in what came to be known as the *Europeanisation* or *Europeification* of national policy making, often in the context of comparative approaches.<sup>106</sup>

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<sup>103</sup> *Ibid.*, p. 63..

<sup>104</sup> *Ibid* p. 64.

<sup>105</sup> *Ibid.*, pp. 66-71.

<sup>106</sup> See among others, Ladrech, R. (1994), “*Europeanisation of Domestic Politics and Institutions: The Case of France*”. JCMS, Vol. 32, No 1, pp. 69-88. Carter, C. and Scott, A. (1997), “*The Europeanisation of the European Union*”. 8eme Colloque International de la Revue “*Politiques et Management Public*” Hanf, K. and Soetendorp, B. (Eds) (1998), Ladrech, R. “*Adapting to European Integration: small states and the European Union*”. London - New York, Longman. Andersen, S. S. and Eliassen, K. A. (Eds) (1993), “*Making policy in Europe : the Europeification of national policy-making*” London, Sage. Thatcher, M. (1999), “*The Europeanisation of Regulation. The*

In particular, the issue of empowerment of the Regions in the European context has spurred the interest of students of European integration, and has given rise to a considerable volume of literature under the theme of 'Europe of the Regions', and the theoretical approach of *multi-level governance* (MLG). Most of these studies focus on the mobilisation of SNA as a result of CRP application. According to a central argument of this approach, the interaction between the supranational institutions on the one hand and the national institutions on the other result often unintentionally in changes in policy-making process, introducing a third level of governance in European Policy making, that of subnational tiers. Usually these studies focus on the consequences of one policy sector only, i.e. the European Regional Policy, omitting the impact of other policy sectors, and arguing that SNA mobilisation is taking place *beyond the Nation-State*.<sup>107</sup>

Certain MLG studies however, examine additional aspects and dimensions of the issue, acknowledging factors other than European integration

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Case of Telecommunications." EUI Working Paper. Radaelli, C. (1997), "How does Europeanisation Produce Domestic Policy Change?" COMPARATIVE POLITICAL STUDIES, Vol. 30 No. 5, pp. 553-575. Wright, V. (1996), "The national co-ordination of European policy-making", in Richardson, J. (Ed.), *European Union: Power and Policy-Making* London, Routledge. Meny, Y. et al (Eds) (1996), *Adjusting to Europe The impact of the European Union on national institutions and policies*, London and New York, Routledge. Toonen, A. J. (1992), "Europe of the Administrations: The Challenges of '92 (and Beyond). PUBLIC ADMINISTRATION REVIEW, Vol. 52, No 2. Kassim, H. et al (Eds) (2000), *The National Co-ordination of EU Policy*. Oxford and New York, Oxford University Press. Rometsch, D. and Wessels, R. (Eds) (1996), *The European Union and the Member-States. Towards Institutional Fusion?*. Manchester, New York, Manchester University Press.

<sup>107</sup> On the theme of regionalism as connected to European integration see, Keating, M. and Jones, B. (Eds) (1995), *The European Union and the Regions* Oxford, Clarendon Press. See Hooghe, L. (1996), *Cohesion policy and European integration : building multi-level governance* Oxford, Oxford University Press. Hooghe, L. and Keating, M. (1994), "The Politics of European Union Regional Policy". JOURNAL OF EUROPEAN PUBLIC POLICY, 1:3. Marks, G. "Structural Policy in the European Union", in Sbragia, A. M. (Ed.) (1992), *Europolitics. Institutions and Policymaking in the "New" European Community*. Washington D.C., The Brookings Institution. Marks G., Hooghe, L. and Blank, K. (1996), *European Integration from the 1980s: State-Centric v. Multi-level Governance*. JCMS, Vol. 34, 3. pp. 341-378. Marks, G. "Structural Policy and Multilevel Governance in the EC", in Cafruny, A. W. and Rosenthal, G. G. (Eds) *The State of the European Community. Vol.2, The Maastricht debates and beyond*; Boulder, Colo. Lynne Rienner Harlow, Longman. Marks, G. et al. (1996), "Competencies, Cracks and Conflicts: Regional Mobilisation in the European Union", in Marks, G. et al. (Eds), *Governance in the European Union* London, SAGE.

in the process of SNA mobilisation, such as trends in decentralisation, which are more or less independent of European integration process. In these studies, the nature and degree of SNA mobilisation, and the extent to which the latter manage to exert influence in European policy process are understood as a result of the domestic conditions and political-administrative arrangements. In other words, SNA access to European policy-making is seen as occurring "through... the Nation-State", not beyond it, in the context of changing relations in the *internal structure* of the Nation-State. According to the main argument of this approach, SNA are likely to further their involvement in European policy-making in those areas of European domestic policy in which they already have competencies.<sup>108</sup>

The argument for the significance of domestic factors is carried further in a number of short studies in which the role of political actors in changing the existing sets of rules at the domestic level is emphasised,<sup>109</sup> while the importance of the control of resources prior to European integration also in terms of know-how by the SNA is taken into account.<sup>110</sup>

A number of articles examine the hypothesis according to which reforms at domestic level become necessary only in case of a misfit between European

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<sup>108</sup> See Jeffery, Ch. (1997), "Conclusions: Sub-National Authorities and 'European Domestic Policy'", in Jeffery, Ch. (Ed.), *"The regional dimension of the European Union: towards a third level in Europe?"* London, Frank Cass. Jeffery, Ch. (1997), "The Emergence of Multi-level Governance in the European Union: A Domestic Politics Approach". 8eme Colloque International de la Revue "Politiques et Management Public". Jeffery, Ch. (2000), "Sub-national Mobilisation and European Integration: Does it make any difference?" JCMS, Vol. 38, pp. 1-23. Jeffery, Ch. (2000), "Sub-National Mobilisation and European Integration: Does it make Any Difference?", JCMS Vol. 38, No 1, pp. 1-23.

<sup>109</sup> See among others, Marks, G. (1997), "An Actor-Centred Approach to Multi-Level Governance", in Jeffery, Ch. (Ed.), *"The regional dimension of the European Union: towards a third level in Europe?"* London, Frank Cass.

<sup>110</sup> Smyrl, M. E. (1997), "Does European Community Regional Policy Empower the Regions?", GOVERNANCE, Vol. 10, No 3, pp. 287-309.



policy requirements on the one hand and national administrative arrangements on the other.<sup>111</sup>

However, it is principally in the context of new institutionalist approaches that the role of domestic institutions acquires additional value. New institutionalist literature is focusing on formerly rather neglected themes i.e. formal and informal devices that shape the behaviour of domestic actors involved in the application of European policy implementation, and how these are affected by or inversely affect this process. Since the 1980s, proponents of the institutionalist approach have increasingly argued that the role of institutions as embedded in culture influences directly the way national administrative systems respond to the implementation of Community legislation, determining the degree of effectiveness and efficiency. In particular, certain studies in line with the new institutionalist theory have contributed significantly in the understanding of domestic systems' resistance to reforms ensued in the European context, by showing that when reforms challenge core elements of power and resource distribution, they are likely to meet with strong resistance on the part of the actors involved.<sup>112</sup>

The literature on the impact of European integration on the Greek administrative arrangements, rather limited during the first decade of Greek

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<sup>111</sup> See, Toonen, Th. A. J. (1992), *"Europe of the Administrations: The Challenges of '92 (and Beyond)"*. PUBLIC ADMINISTRATION REVIEW, Vol. 52, No 2. More recent contributions by Goetz, K. H. and Hix, S. (2000), *"Europeanised Politics? European Integration and National Political Systems"*. WEST EUROPEAN POLITICS, Vol. 23, No 4, pp. 211-231. Goetz, K. H. *"National Governance and European Integration: Intergovernmental Relations in Germany"*. JCMS, Vol. 33, No 1 March 1995.

<sup>112</sup> Knill, Ch. And Lenschow, A. (1998), *"Change as 'Appropriate Adaptation: Administrative Adjustment to European Environmental Policy in Britain And Germany"*. European Integration on line Papers (EIOP), Vol. 2 No 1, <http://eiop.or.at/texte/1998-001a.htm>. Knill, Ch. (1997), *"Implementing European Policies: The Impact of National Administrative Traditions"*, EUI Working Paper RSC No 97/56. Knill, Ch. and Lehmkuhl, D. (1999), *"How Europe Matters. Different Mechanisms of Europeanisation"*. European Integration on line Papers (EIOP), Vol. 3 No 7, <http://eiop.or.at/texte/1999-007a.htm>. Christensen, J. G. (1997), *"Interpreting Administrative Change: Bureaucratic Self-Interest and Institutional Inheritance in Government"*. GOVERNANCE, Vol. 10, No 2, pp. 143-174). Borzel, T. A. *"Towards Convergence in Europe? Institutional Adaptation to Europeanisation in Germany and Spain"*.

membership has increased since the 1990s. A number of books and articles examine Greece's integration to Europe in general,<sup>113</sup> while others focus on more specific subjects among them decentralisation.<sup>114</sup> There has been no extensive study of the impact of CRP implementation on the Greek administrative arrangements regarding regional policy process in particular.

Cultural embeddedness of institutions and the ensuing difficulties in administrative convergence in the Community as indicated in the Greek case has been discussed in a short albeit insightful contribution by N. Wenturis.<sup>115</sup> In addition, in a very interesting article, Ch. Paraskevopoulos examines the role of social capital in domestic adaptation to European Regional Policy demands. The author points to the importance of cultural factors in Greece's adaptation to European Regional Policy requirements, as revealed in the nature of civil society and public - private sectors interaction, clientelism and state centralisation. The discussion focuses on the application of European Regional Policy in the Aegean Islands.<sup>116</sup>

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<sup>113</sup> See Kazakos, P. (1994) *"Greece in a Changing Europe"*. (in Greek) Athens, Papazissis. Kazakos, P. (1991), *"Greece between Integration and Marginalisation"*. (In Greek), Athens, Diatton. Psomiades et al (Eds) (1992), *"Greece and the New Europe"*. Pella. Featherstone, K. (1996), *"Greece in a Changing Europe"*, Manchester and New York, Manchester University Press. Spanou, C. (2000), "Greece", in Kassim, H. et al (Eds) *"The National Co-ordination of EU Policy"*. Oxford, Oxford University Press. Tsinisizelis, M. (1996), "Greece", in Rometsch, D. and Wessels, W. (Eds) *"The European Union and member states. Towards institutional fusion?"*, Manchester and New York, Manchester University Press. Christakis, M. (1998), "Greece: Competing with Regional Priorities", in Hanf, K. and Soetendorp, B. (Eds), *"Adapting To European integration: small states and the European Union"*. London ; New York, Longman

<sup>114</sup> See, Andrikopoulou, E.: (1992) *"Whither Regional Policy?"* In Dunford, M., Kafkalas, G.(Eds): *"Cities and Regions in the New Europe"*. London, Belhaven, Verney, S., Papageorgiou, F. (1992), *"Prefectural Councils in Greece: Decentralisation in the Community Context"*. In Leonardi, R. (Ed.): *"The Regions and the European Community"*. Cass, London. Ioakimidis, P. C. (1996), "EU Cohesion Policy in Greece: The tension Between Bureaucratic Centralism and Regionalism", in Hooghe, L. (Ed.) *"Cohesion Policy and European Integration: Building Multi-Level Governance"*. Oxford, Oxford University Press. Kazakos, P. (1999), "The 'Europeanisation' of Public Policy: The Impact of European Integration on Greek Environmental Policy".

<sup>115</sup> Wenturis, (1994), "Political Culture", in N. Kazakos, P. and Ioakimidis, P. C. (Eds) *"Greece and EC membership evaluated"*. London, Pinter. New York, St. Martin's Press. pp. 225-237.

<sup>116</sup> Paraskevopoulos, Ch. J. (1998), "Social Capital and the Public-Private Divide in Greek Regions". In WEST EUROPEAN POLITICS, VOL. 21, No 2, pp. 154-177.



Apart from the above-mentioned article, the theme of institutional adaptation has been treated mainly in short contributions in collections of studies of similar content. Some of them touch upon the issue of challenged patterns of resource and power distribution, offering support for the main hypothesis of the current project.<sup>117</sup>

### Summary

Developments in the process of European integration in the 1980s have promoted the evolution of an increasingly dynamic Community Regional Policy, a development that reached its peak with the 1988 reform of the Structural Funds. The guiding principles endorsed in the new Regulations triggered institutional reforms in the Member-States, with view to achieving efficiency in CRP implementation. The magnitude of the reforms depends on the degree to which existing domestic arrangements clash with the new operational tools. Subsequently, the degree of adaptability of the domestic administrative systems to the reforms introduced in the above context has been analogous to the centrality of those elements in the domestic systems, most challenged by the reforms. The more central those elements in the national administrative patterns, the greater the resistance displayed by domestic actors.

The European Commission has played a dynamic role in promoting the European character of the CRP, which during the first decades was nationalised. Moreover, the Commission as guardian of the Treaties has

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<sup>117</sup> See in particular Christopholopoulou, P. (1996), *"Prefectural Administration and Self Government in the Greek Political System"*. (In Greek), In GREEK REVIEW OF POLITICAL SCIENCE, VOL. 7, pp. 124-152, and Economou, D. (1995), *"Developmental programmes and social interests"* in Spanou, K. *"Collective claims and governmental policies"*, Athens-Komotini, A.N. Sakkoulas, pp. 209-222.

interfered in the process of domestic reforms, in order to ensure compliance with Community law, a process that often raised its profile as a dynamic supranational actor.

CHAPTER TWO: GREECE: POLITICAL CULTURE, STATE ORGANISATION AND  
REGIONAL POLICIES.

Introductory notes

It is argued here that application of the 1988 reform guiding principles in the context of the first two CSFs in Greece met with considerable resistance from traditional policy patterns. Despite the fact that several mechanisms of Europeanisation<sup>1</sup> have been at work, the degree of adaptation to European requirements has been rather low. The core argument deployed here is that administrative resistance is mainly due to the fact that the principles introduced through the mechanisms described in Chapter One, have been challenging "*domestic opportunity structures, and hence the distribution of power and resources between domestic actors*".<sup>2</sup> Therefore, in order to discuss the Europeanisation of the Greek regional policy process and interpret administrative resistance, it is necessary to describe "*domestic opportunity structures*" prior to the 1988 reform. As these are deeply embedded in culture, an understanding of the Greek political culture will shed light into the loci of resistance.

Accordingly, this chapter seeks to offer an understanding of the cardinal features of the Greek political culture, followed by a description of the formal i.e. legal arrangements regarding State organisation, as well as regional policy process. The analysis will try to reveal the centrality of the elements of

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<sup>1</sup> In order to avoid confusion the term Europeanisation in this thesis is used to denote the process of adaptation to the requirements of European integration.

<sup>2</sup> Knill, Ch. and Lehmkuhl, D. (1999), "*How Europe Matters. Different Mechanisms of Europeanisation*". EUROPEAN INTEGRATION ON LINE PAPERS, Vol. 3, No 7. URL: <http://eiop.or.at/eiop/texte/1999-007a.htm>

domestic patterns of power and resource distribution, that were challenged by the reforms induced by the application of the two CSFs in Greece.

### *Greek Political Culture*

For the purposes of the analysis here, political culture will be defined as conceptions regarding the relations of the individual to society as a whole, the ideas of power structures and State organisation, and the expectations of the citizens vis-à-vis the State.

The most prevalent characteristic in the history of the Modern Greek State has been "*cultural dualism*" i.e. the existence of two rival cultures, which have marked with their antagonistic relationship the development of the State and society. On the one hand, the older culture, deeply influenced by the Orthodox Church which has cultivated and maintained an anti western attitude, a culture which is also against change, has an attachment to pre-capitalist practices and shows "intolerance of the alien".<sup>3</sup>

Moreover, this culture is characterised by a "*levelling egalitarianism*", unpredictability and insecurity, hence the assignment of a preponderant role to the State as the "*dispenser of rights*", and as a protector of the weak against the strong. Inherent in this perception of the State, is the accordance of "*limited value to the role of institutions as structures that shape relations between rulers and ruled*", a feeling of insecurity towards an autonomous, active civil society in preference of structures which favour clientelist practices.<sup>4</sup>

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<sup>3</sup> The information on cultural dualism in Greece is drawn entirely on Diamandouros, N. (1994), "*Cultural Dualism and Political Change in Post-authoritarian Greece*", Working Paper, Madrid, Instituto Juan March de Estudios e Investigaciones.

<sup>4</sup> *Ibid.*

On the other hand, the younger twin of underdog culture, had always a tendency to look to the advanced Western states for inspiration and support in accomplishing economic, social or political reforms. Characterised by extrovertedness, it tends to favour international links with view to promoting Greece's integration in the international system, and assigns great importance to the modern political institutions, which are expected to diminish the influence of clientelism. This is a reformist culture shaped by the perceptions of the Greek diaspora bourgeoisie and its domestic allies, which are rooted in the western, liberal model of transition to modernity, with the establishment of market economy.<sup>5</sup> At times, one or the other culture has temporarily dominated over the other, with the underdog culture remaining the stronger and with the larger number of proponents, hence the failure of most reformist attempts.

- *Patronage-clientelism: a definition*

As argued above, the older of the twin cultures in Greece, is characterised by hostility to formal institutions, in favour of informal ones delineated by patronage-clientelism. Patronage-clientelism is generally defined as a relationship between two parties of which one controls scarce resources to which the other party is allowed access in exchange for loyalty, votes and other services.<sup>6</sup> In other words, the whole concept is built on the crucial element of control of resources. This is an important element essential to the current study, as according to the main argument deployed here, resistance to reform originating in Community Regulations is due the fact that traditional resource

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<sup>5</sup> *Ibid.*

<sup>6</sup> A discussion of the nature of resources is beyond the scope of this thesis, On the topic see, Legg, K. R. (1969), "*Patrons, Clients, and Politicians*". Working paper, Institute of International Studies, University of California, Berkeley. The paper offers a lucid analysis of the concept of patronage - clientelism, discussing among others, the origins, nature and impact of clientelism as a system. Also, Clapham, Ch. (1982): *Private Patronage and Public Power: Political Clientelism in the Modern State*. London, Frances Pinter.



and power distribution patterns are being challenged. It is worth noting that, as a relational concept circumscribing a dyadic link, i.e. a link between two parties only, in the context of which both enjoy benefits, patronage-clientelism exists in a wide variety of political systems, and need not necessarily constitute the focal point of social and political life. It acquires special significance for the political scientists when it determines extensively if not exclusively socio-political configurations in a polity, or otherwise when it becomes a system in its self as in the case in Greece.

Patronage as a system then, defines largely if not exclusively the patterns of power and resource distribution and their reproduction within a polity. Therefore, once analysis moves to the system level, the focus is not on the nature of exchange between two parties involved within a limited time space, but on *"the existence and operation of a complex network of vertical and cross-cutting ties which have wider integrative and social control functions than those identified through the discrete reciprocations of single patrons and clients"*.<sup>7</sup> In that case, as characteristically noted by Wallace-Hadrill, *"the secret of the game is the manipulation of scarce resources"*.<sup>8</sup>

Similarly, Clapham identifies as essential for clientelism the following conditions a) that *"critical resources must be controlled by one particular group within the society"*, b) that *"the client group taken as a whole, should be inhibited or prevented from gaining access to the resources controlled by the patron group through co-operative strategies which unite the client group as a whole to confront, by force or bargaining, the patron group as a whole"*.<sup>9</sup> Accordingly, resources for local-regional development in Greece have been kept under the control of patrons mainly at

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<sup>7</sup>Johnson, T. and Dandaker, Ch.: (1989), *"Patronage: Relation and System"*, in Wallace-Hadrill, A.: *"Patronage in Ancient Society"*. Routledge, London, p. 225. See also, Juckerman, A.S. (1979), *"The politics of Faction"*. New Haven-London, Yale University Press, p. 18.

<sup>8</sup>Wallace-Hadrill, A. (1989), *"Patronage in Roman society: from republic to empire"* in Wallace-Hadrill, A. (ed.): *"Patronage in Ancient Society"*. London, Routledge, p. 70.



the central level, or at the deconcentrated branches of the State, and distributed in exchange for votes.

- *Patronage and civil society*

A main feature of the modern concept of civil society has been the separation of the public from the private sphere.<sup>10</sup> This implies the presence of autonomous intermediate bodies, free of the State's command mediating between the latter and society.<sup>11</sup> However, the concept of civil society as defined above does not fit well in a clientelist state because the latter alludes to extensive use of the state apparatus by the governing party with view to creating clientelist ties along personal-individualistic lines. Against this background, associations, trade unions and in general interest groups, instead of aggregating and articulating their demands independently, they do so in the context of clientelist exchange. Such is the grip of the state on the intermediary associations that as in the case of Greece, the leaders of labour unions are each time officials of the governing party, promoting party -and personal- interests rather than those of the interest groups they represent.<sup>12</sup>

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<sup>9</sup>Clapham, Ch. (1982), *supra*, p. 8.

<sup>10</sup> Krader, L. (1976), *"Dialectic of Civil Society"*. Amsterdam, Van Gorcum, p.33.

<sup>11</sup>Roniger, L. (1994) *"The Comparative Study of Clientelism and the Changing Nature of Civil Society in the Contemporary World"*. in Roniger, L. and Gunes-Ayata, A. (Eds): *"Democracy, Clientelism and Civil Society"*. London, Boulder, pp. 1, 6.

<sup>12</sup> See for example, Collins, N. and Louloudis, L. (1995), *"Protecting the Protected: the Greek Agricultural Policy Network"*. JOURNAL OF EUROPEAN PUBLIC POLICY, 2, pp. 95-114.

- *Patronage and bureaucracy*

As argued by Dandeker, in his analysis of Weber's thesis, the degree to which bureaucracy acts autonomously from the state, its employer, varies.<sup>13</sup> In a clientelist state, in which the state apparatus is used to promote mainly party interests in the context of a wide clientelist network, the intrusion of the party in the state apparatus and of the latter in the bureaucratic machine is such, that the interests of the bureaucrats and those of the party are enmeshed in complex patterns of exchange often hindering efforts at reforms.<sup>14</sup> The over-politicisation of the bureaucracy and its increased power at the expense of representative institutions has also been noticed by L. Sigelman who underlines its negative effect on the reforms and the process of political development.<sup>15</sup>

Greece is an illustrative case of the arguments advanced above. Recruitment of the public sector has always been one of the main tools in the hands of the ruling party each time, with view to creating and maintaining a large clientele. This has resulted in a complex pattern of interdependence, which, as shown below, has repeatedly hindered administrative reform.

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<sup>13</sup> See among others, Dandeker, C: (1978), "*Patronage and bureaucratic control - The case of the naval officer in English society 1780- 1850*". BRITISH JOURNAL OF SOCIOLOGY, Vol. 29, No 3, p. 301.

<sup>14</sup>The involvement of bureaucrats in politics and the effect that this has on political development has been analysed by F. W. Riggs, in his study of the political development in "*transitional societies*". The term is applied with view to societies in transition from tradition to modernity, otherwise known as "*developing*". Riggs examines the direct and indirect effect that the pursue of the interests of bureaucratic institutions has on the development of political institutions. As he argues, in developing countries the degree of bureaucratic involvement is such that the form of political development achieved in this case, is "*in the sense of politicisation but not democratisation*". See Riggs, F.W.: "*Bureaucrats and Political Development: A paradoxical View*". In La Palombara, J.(Ed.) (1963), "*Bureaucracy and Political Development*". New Jersey, Princeton University Press, p.141.

<sup>15</sup>Sigelman L. (1972), "*Do Modern Bureaucracies Dominate Underdeveloped Polities? A Test of the Imbalance Thesis*". THE AMERICAN POLITICAL SCIENCE REVIEW. Vol. 66, p. 525.

- *Patronage as an ethos, and a form of power*

Because of the primacy attributed in this study to values as playing an important role in the process of institutional and societal reform, it is important to establish whether patronage possesses ethical properties. In other words, it is deemed important to clarify whether the clientelist system is simply a course of action in the Greek society or a mentality and an ethos at the same time. In the latter case it could prove far more difficult for a change to occur, i.e. a change in perceptions and values, which is considered necessary for economic and political development.<sup>16</sup>

Scholars are rather divided on this issue. Some argue that patronage is only a course of action, which becomes rational to adopt under specific circumstances. Clapham e.g. maintains that clientelism is "*a form of behaviour which becomes rational for people to pursue, given specific external factors*"<sup>17</sup>, recognising at the same time a "*lack of ideology or value consensus*"<sup>18</sup> On the other hand, it is maintained that clientelism is not devoid of ethical nuances. Gellner, who has contributed largely to the understanding of Mediterranean societies and their cultures, is convinced that, "*'real' patronage ... seems to be a system, a style, a moral climate*".<sup>19</sup> It is in patronage as a system he refers to, arguing that, "*in larger societies, patronage proper is an ethos: people know that it is a way of doing things amongst others*".<sup>20</sup> There is however a third assumption, according to

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<sup>16</sup> On change in values as a condition for political and economic development see the work of K. Deutsch who has written extensively on integration issues. For example, Deutsch, K. (1961), "*Social Mobilisation and Political Development*", THE AMERICAN POLITICAL SCIENCE REVIEW, Vol. No 3, pp. 493-514.

<sup>17</sup> Clapham, C. (1982), *supra*, p. 3.

<sup>18</sup> *Ibid*, p. 8.

<sup>19</sup> Gellner, E. (1977): "*Patrons and Clients*", in Gellner, E. and Waterbury, J. (Eds): "*Patrons and Clients in Mediterranean Societies*". London, Centre for Mediterranean Studies of the American Universities Field Staff, pp. 3. 7. Emphasis added.

<sup>20</sup> *Ibid*, p.3.

which patronage is an amalgam, a co-habitation of ideology and structure, of a form of action deemed as rational *and* a code of ethical behaviour.<sup>21</sup> This means that it may well exist in a society as a structure necessary for the function of this society, but at the same time it can be a credo, a code of ethics defining social and political relations.

As shown in the discussion of patronage so far, those in control of resources are in a position to impose their course of action on the clients, who cannot afford to have freedom of choice, since they depend on the patrons for access to scarce resources critical for their survival. Moreover, apart from the threat of tangible sanctions as connected to deprivations of material resources, there is a whole internal mechanism, i.e. a value system based on such notions as honour, loyalty, friendship etc, which functions as a very efficient mechanism of control in patron client relations. In other words, patronage is a form of power. As Lasswell and Kaplan argue in their analysis of power, it *"may rest on faiths and loyalties as well as interests, to say nothing of habit and apathy... we speak of power as a control over value practices and patterns."*<sup>22</sup>

Accordingly, when patronage is perceived as an ethos, individuals grow up to believe that this is the way societal relations should be and resource allocation and state organisation should occur along these lines. In this case, patronage is a form of power perhaps equally if not more efficient than power exercised with the threat of material and/or corporeal sanctions.

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<sup>21</sup> It is close to what Wallace-Hadrill observed about the Romans' perception of patronage: *"patronage... represented a vital part of conscious Roman ideology, of their own image of how their world both was and ought to be."* Wallace-Hadrill, A. (Ed.) (1989), *supra* pp. 66-67.

<sup>22</sup> Lasswell, H.D. and Kaplan, A. (1950), *"Power and Society"*. New Haven and London, Yale University Press, p. 76. Emphasis added.

- *Patronage and the modern Greek State: the repercussions on State organisation.*

This section will look into the evolution of patronage and the development of the over-centralised clientelist State. The discussion will show how power and resource distribution through complex clientelist networks has maintained and consolidated a pattern of political and State organisation. At the heart of this pattern lies the utilisation of local-regional development policies in a manner that kept local self-government weak, while retaining and enhancing the central State's strength and domination over the latter. Similarly, the interaction between the intermediate organisations and the State and their firm control by the State have largely contributed to the maintenance of this pattern which is being challenged by the Structural Funds Regulations. The discussion covers also the introduction of the IMPs, which was the first big challenge for the Greek administrative system. In particular it seeks to highlight the resistance of patronage and persistence of traditional practices in public policy process in reforming attempts up to 1988.

Clientelism existed in Ottoman Greece in a decentralising form. More specifically, although, the Ottoman Empire when compared to its Western feudal counterparts was far more centralised, still it allowed the development of local potentates who acquired a considerable degree of power. This was true especially from the end of the 16th century onwards, with the gradual weakening of the power of the Sultan and the subsequent loosening of the administrative ties between the centre and the periphery. It was during this period that large pieces of land passed not only to the *pashas* (local Ottoman representatives), but also to Greeks. This process gave rise to the Greek land owning elite, entailing at the same time their involvement in local government.<sup>23</sup> In this vast empire where the conquered were far more

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<sup>23</sup>Christophilopoulou-Kaler, P. (1990), "*Decentralisation in Post-Dictatorial Greece*". Unpublished Ph.D. thesis, London School of Economics, pp. 10-12.



numerous than the conquerors, the latter offered the Christian landowners legal and political guarantees in exchange for their loyalty on the one hand, and mediation between the Porte (Ottoman administration in Constantinople) and the local population on the other.

The economic power incorporated in the large estate ownership, followed by the privileges bestowed upon the landowners by the Ottomans, entailed the monopoly of power by the former in the Greek rural communities. This had detrimental effects on the socio-political structure of the village. The people of the village directly elected the local leaders, the so-called *procriti*, however, the results of the elections were always decided in advance in the context of clientelist exchange between the *procriti* and the electoral body.

Thus, although the democratic institutional context existed (unwritten), the political consensus occurred outside this context. Therefore, this is a case in which notwithstanding the role of clientelism in decentralisation of power from the Porte downwards to the local élites, this is as far as decentralisation reached; the individual was literally deprived of freedom of choice and personal responsibility. Thus, the pattern of cohabitation of formal with informal institutions was established already at a very early period of the Modern Greek State and has persisted ever since.

Against this background, the clash between Kapodistrias, the first Governor of the independent Greek State on the one hand, who established the centralised bureaucratic state apparatus and the *procriti* on the other was inevitable. The new centralised system introduced by Kapodistrias was meant to deprive the *procriti* to a large degree of the resources they used for clientelist exchange, and thus destroy the basis of the power system on which they thrived during the Turkish occupation. Kapodistrias lost his life in the cause of a strong central state, murdered by one of the local potentates, yet his death did not hinder the introduction of a strong centralised bureaucratic machine and later, the introduction of a parliamentary system. The developments that came



as a result of the reaction of the powerful families that saw their local strongholds falling are illustrative of the flexibility and adaptability of traditional value systems and political practices to modern settings.

Patronage displayed a high degree of adaptability to the new conditions. The establishment of the centralised state bureaucratic machine meant that resources previously in the hands of the local leaders now devolved upon the bureaucrats and politicians at the centre. In view of lack of other resources of economic nature, such as large estates<sup>24</sup>, the *procriti* were subsequently left without the basis of clientelist exchange which secured and perpetuated their grip of power over the local population. The only resource left to them was personal and family prestige at the local level acquired in the course of centuries precisely due to their status as patrons. They used it wisely to cement their position in the new circumstances.

More specifically, the families that had amassed power during the Ottoman period, after the establishment of the central state in 1830s and later after the introduction of the parliamentary system, infiltrated the state machine at the central level. Most politicians up to the 1870s, when the first big socio-economic and political change occurred, were members of the powerful local families, the so called "*tzakia*". In order to be elected they used their prestige among the population of their constituency. However, once they accessed political power at the centre, they next moved to secure a very firm grip of the bureaucratic machine. Therefore, they acquired new resources at the central level, which they used to attract their clients at the local level and secure their re election. They monopolised favours to their clienteles to such an extent, that it was impossible for the latter to have access to jobs, hospitals, or any kind of

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<sup>24</sup>The majority of the powerful families were not big landowners, as the land policy of the Greek State favoured the creation of small plots instead of large estates. See Dertilis, G. (1985), "*Social Transformation and Military Intervention*". (In Greek), Athens, Exantas.

services provided by the State, without the help of the patrons. In return they offered their vote and that of the members of their family.

As a consequence, the establishment of the centralised state and bureaucracy did not eliminate patronage, which, having functioned at the local level during the Ottoman period in the context of clusters of dyadic relations, was transformed into a proper system of power and resource distribution, as well as reproduction of power structures. In this context, the political parties were loose organisations operating at the centre through mobilisation of the clienteles by the brokers at the local level.

This development made unnecessary further resistance of the local élites to the expansion of the central state. Moreover, since it was precisely due to their control of resources at the central level that they were able to maintain their power, they had an interest not only in sustaining but also in reinforcing accumulation of power at the centre. The “*malfunctioning parliamentary regime*” that emerged, had as main characteristics the strongly particularistic and personalistic character of dialectics between society and the State in its narrow sense, as opposed to the more collective nature of the respective relation in Western modern societies. It proved an effective mechanism of control of the central state apparatus, and through this a means for the enhancement and consolidation of centralisation of power. It is significant that the dominant class initially consisting in the local powerful families (*tzakia*) were not only interested in the upper levels of the State apparatus. Posts in Prefectures and Municipalities were swarmed by members and clients of the leading political families. This is an additional reason why it has always been so important that power and real control of the sub-national institutions, (both prefectures, i.e. deconcentrated branches of the central state, and municipalities and communes, i.e. directly elected local authorities), remain in the hands of those

at the central level of government: they used them to sell favours and retain their clienteles to the advancement of their interests.<sup>25</sup>

Internal economic developments as informed by the international environment in late 19th century, had serious effects on the social and political developments in Greece. The two world economic crises in 1873 and 1929 triggered a series of changes that influenced immediately the structures of power and the nature of patronage in Greece: a) the rise of a new industrial middle class who demanded a share in political power. Their entrance in the political arena caused a considerable weakening of the old *tzakia* and as a result affected also the clientelist networks which were built along the lines of friends, relatives and in general followers of the old families. b) The capitalist mode of production enhanced the idea of a civil society perceived in its liberal notion, although in Greece it never reached Western standards due to the omnipresent clientelist system. c) Due to the predominant role of the state in the economic developments, the centralisation of the state apparatus was dramatically reinforced both in terms of power and as an unprecedented growth of the bureaucracy.<sup>26</sup>

With the coming of the new bourgeoisie in Greek politics, the augmentation of the civil servants body, the spreading of education and consequently the rise in the numbers of educated people, the brokerage of power passed from the old local mediators to civil servants, lawyers and doctors. It was them from now on that could best - because they were professionals - solve the problems of the clients by rendering the always

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<sup>25</sup> Christophilopoulou-Kaler, P. (1990), *supra*.

<sup>26</sup>On the developments of the times see Mouzelis, N. (1980), "*Capitalism and Development of the Greek State*". In Scase, R.: "*The State in Western Europe*". London, Croom Helm.

remote, incomprehensible and hence hostile central state more friendly, and securing access to resources always by means of patronage.<sup>27</sup>

At the same time, political parties underwent also a transformation: from loose political formations dependent on the local brokers for mediation with the clientele, they became strong organisations accumulating control of resources in the capital of the country. From now on party machinery was in control of lawyers, doctors and bureaucrats at the centre. One of the most important phases in the evolution of patronage in Greece has been the Inter War era, which favoured its further consolidation. It is during this period that the two big bourgeois parties managed to draw the peasantry into the conflict between these two parties, a conflict known as "*dihasmos*" i.e schisme. It focused on the debate of monarchy versus republic and caused a great deal of turmoil in the country. The fact that the peasantry was divided along these two different lines of approach to the regime issue meant that in reality they were diverged from real problems connected to their economic condition. Instead they were firmly tied to the two parties in client - patron relations, thus extending and consolidating the clientelist system.<sup>28</sup>

Therefore, the economic and political developments and the subsequent change in clientelism reinforced the centralisation of the state, by transferring the power from the local brokers to those controlling the parties at the national level. This development inaugurated the era of party and state clientelism. Since then the ruling party's grip over the state took unprecedented dimensions to such a degree, that the latter was able to use the former for the perpetuation of its power by means of extensive practice of patronage.

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<sup>27</sup> Christophilopoulou-Kaler, P. (1990), *supra*.

<sup>28</sup> Comninos, M. (1984), "*Clientelist Politics in two Greek Districts*". Unpublished Ph.D. thesis, London School of Economics.

After the end of the civil war at the end of the 1940s, there was a strengthening of the repressive state apparatus, and a re organisation of the bureaucracy, conditions, which fostered the re emergence, extension and consolidation of the clientelist system. As argued by M. Comninou, the purges in the public sector that followed the victory of the bourgeois class in the civil war, offered the bourgeois politicians the opportunity to re built their clienteles by recruiting clients in the bureaucratic machine through employment in the civil service and distribution of government patronage. The result of these practices was a shift towards *gigantism* and *centralisation* that hindered effective functioning of the bureaucracy.<sup>29</sup>

The discussion so far described the salient characteristics of the Greek political system: a repeated, intricate pattern of interaction between politicians on the one hand, and the bureaucrats recruited in the context of clientelist relations on the other, resulted in a gigantic, over centralised, ineffective state apparatus, depriving citizens of free access to resources, accessible only through clientelism. This extra institutional consensus, i.e. the fact that the interaction state - society did not occur within the existing institutional framework, but outside it along patronage networks, the falsification of the popular mandate and the increasingly arbitrary and repressive nature of this system in the post war period, led to a huge wave of passionate demonstrations against these practices in the 1960s. The dominant class responded with the 1967 military coup and the establishment of the seven-year junta.<sup>30</sup>

The period after the restoration of democracy in Greece, was marked by the re-construction of the old clientelist networks, and an effort to distribute

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<sup>29</sup>Only in one year, in 1962, at least 8.000 employees were recruited and placed in the upper echelons of the bureaucracy. See *ibid* pp. 69-72.

<sup>30</sup>For a better understanding of these developments, see the excellent study by Charalambis, D. (1989), "*Clientelist Relations and Populism: the Extra Institutional Consensus in the Greek Political System*". (In Greek), Athens, Exantas.



favours and employment from the public sector which grew once more in an impressive way. During this period, all efforts at administrative reforms failed. However, the most important phase in the development of state patronage in post dictatorial Greece, coincides with the Socialist party's (PASOK) term in government. PASOK was founded by Andreas Papandreu in 1974, who during PASOK's term in opposition until 1981 when it won the elections, was constantly stigmatising the right wing New Democracy and its clientelist politics, as well as state centralisation, and in general all the traditional practices of which the people had become weary.<sup>31</sup> PASOK was aware of the popular expectations for a change in political practices and the word '*allagi*' i.e. change, became the principal slogan of the party's election campaign in 1981, although as characteristically noted, it "*...was not simply a political slogan; it was 'a profound vision in the consciousness of the Greek people'.*"<sup>32</sup>

The promise for change crystallised among other things in the introduction and prevalence of meritocratic and rational criteria over personalistic - clientelist practices, and decentralisation with view to enhancing popular participation in decision making at grassroots level, and the subsequent empowerment of the citizen.<sup>33</sup> However, once PASOK came to power after winning the elections in 1981, the chasm between the promises and practice soon became apparent. In an attempt to consolidate the basis of its power, and in an unprecedented explosion of populism, it granted favours and posts using extensively the state apparatus and its resources.<sup>34</sup> Strong loyalty to

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<sup>31</sup> On PASOK's genesis and development, see Spourdalakis, M. (1988), "*PASOK: Structure, Internal Crises and Centralisation of Power*". (In Greek), Athens, Exantas.

<sup>32</sup> Clogg, R. (1987), *Parties and elections in Greece. The Quest for Legitimacy*, London C. Hurst and Company, p. 75.

<sup>33</sup> Spourdalakis, M. (1988), *supra* p. 261.

<sup>34</sup> It has been argued that clientelism worked as a safety valve, integrating those social strata that due to lack of resources had not acquired the necessary qualifications. Interview with K. Theos, Special Consultant to the Under-secretary of the Ministry for National Economy, and since 1999 Secretary General of the above ministry.



the party was the necessary pre-condition for most of the appointments especially in the upper echelons of the hierarchy. Moreover, regarding decentralisation, PASOK adopted a policy, which contrasted its declarations while in opposition. There was in the first place further centralisation of power in the Executive at the expense of the other powers.<sup>35</sup> Furthermore, the party gained a tight grip of the elected local authorities, to an unprecedented degree.<sup>36</sup>

- *The intermediary bodies*

As noted earlier, civil society has been very weak in Greece, due to the firm grip of the State. Subsequently, collective decision making has given way to particularistic procedures and practices. In affecting national regional policy process the European Regional Policy inevitably impacts on public-private relations as well. Therefore, although a detailed analysis of the issue of interest aggregation and articulation is beyond the scope of the present study, it is nonetheless appropriate to discuss in short the nature of public-private relations in the Greek political system.

The freedom to form associations was first guaranteed by the Constitution of 1864 (Art. 11) and was subsequently refined by the successive Constitutions.<sup>37</sup> The Constitution of 1975 as amended in 1986, currently in force, guarantees this freedom in Articles 12, 22 and 23. Trade unionism generally seen as the main barrier against the development of a centralised and

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<sup>35</sup> This allowed further discretion to the bureaucrats of the Ministry of the Interior to hamper the introduction of reforms.

<sup>36</sup> Christophilopoulou-Kaler, P. (1990), *supra* pp. 170 and 244-245 PASOK's decentralisation policies are discussed in more detail later.

<sup>37</sup> Galanou, E. (1986) "Judicial Attitudes towards the Freedom of Association". In Association of Greek Constitutional Lawyers (Ed.): *"The Constitutional Freedoms in Action"*. Athens, Sakkoulas p. 213.

interventionist State, has followed in Greece an evolutionary pattern which has on the contrary, contributed to excessive state interference and over-centralisation.<sup>38</sup> This becomes evident in: **a)** the particularistic way in which each interest group is pursuing its interests in the context of clientelist relationships with the State, and in defiance of the 'general good'. This mode of dialectics promotes and perpetuates a firm grip of trade unions and associations by the State. **b)** The fact that trade union leaders are persons with very strong party affiliations, their loyalty lying firstly with the party and only secondly with the group the interests they represent. It is characteristic that some of them, manage to hold important governmental offices as a reward for their services to the party, during their office as trade union leaders.<sup>39</sup>

Pressure groups on the one hand seek state interference in the form of special privileges against the principles of competition, while on the other, they become proponents of the free market when this involves abolition of privileged arrangements regarding antagonistic groups.<sup>40</sup> Subsequently, the issue in Greek politics is not connected to ideology, but to the maintenance of the existing social relations, or "*rather the fact that no one is seeking to alter them*".<sup>41</sup> Every body claims state aid and protection at the individual or/and the sectoral level, but since claims of this nature do not presuppose necessarily the existence of mass political formations on ideological basis and democratic structure and processes, social groups address their claims through

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<sup>38</sup> Koukiadis, Y. (1986), *"Trade Union Freedoms and the Legislator"*. In Association of Greek Constitutional Lawyers(ed.) (1986) *supra.*, pp. 204-205. In a neo-marxist approach N. Mouzelis has offered a satisfactory explanation of the deviant capitalist development - underdevelopment- in Greece, resulting from Western models being transplanted in a pre-capitalist context, as well as of the effects of this underdevelopment on political and social development of the country. Mouzelis, N. (1978), *"Greece - Facets of Underdevelopment"*. London, MacMillan Press.

<sup>39</sup> See among others, Collins, N. and Louloudis, L. (1995) *"Protecting the Protected: the Greek Agricultural Policy Network"*. JOURNAL OF EUROPEAN PUBLIC POLICY, 2, pp. 95-114.

<sup>40</sup> Simitis, K. (1989), *Introduction*, in Mouzelis, N. et al: *"Populism and Politics"*. Athens, Gnosi, pp. 10-11.

<sup>41</sup> *Ibid*, p. 13.

particularist mechanisms, or even individual politicians.<sup>42</sup> This asphyxiating embrace of trade unions and associations by the State has been described as "*fragmented syntekhniasmos*", in distinction from "*state corporatism*".<sup>43</sup>

This situation raises severe issues of legitimacy every time the government introduces new measures that affect the interests of various groups. The so-called "social dialogue," consists merely in "rituals", in which the union leaders meet with government representatives while policy guidelines have already been decided by the latter and are simply accepted by the former. Consequently, trade union leaders are in great difficulty to persuade the members of their unions to accept the deals made with the government. This lack of credibility on the part of the represented vis-à-vis the representatives has deprived the government of a useful instrument in achieving social consensus on policies. Subsequently, "*the political legitimization of its choices becomes impossible*".<sup>44</sup>

The issue of legitimacy is therefore very acute in national politics. It becomes even more crucial in the light of European integration, and the induced extensive reforms that require social consensus and support.<sup>45</sup> Developments during the past few years, as the government introduces new policies which meet with fierce popular reaction illustrate these arguments. With regards to the public sector in particular, all serious efforts at modernisation aiming at rendering it more efficient in view of the European

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<sup>42</sup> *Ibid*, pp.11-15.

<sup>43</sup> The word *syntekhniasmos* is retained as having no exact equivalent in English, the closest one being *corporatism*. As argued by Kazakos, in "state corporatism", interest organisations tend to be more or less "extensions" of the State itself and not simply the State's target. State corporatism has also been connected to the abolition of antagonistic political parties and of freedom of speech, which is not the case in Greece, apart from Metaxa's dictatorship in the inter-war period. Kazakos, P. (1991) "*Greece between Adjustment and Marginalisation*". Athens, Diatton, pp. 59-60.

<sup>44</sup> *Ibid*, p. 62.

<sup>45</sup> *Ibid*.

challenges have failed due to fierce reactions of the civil servants whose interests were touched.<sup>46</sup>

As a consequence Greek politics is characterised by the fragmentary approach to requests, the main criteria for their satisfaction being political considerations, as opposed to the long term "*perspective of modernisation and adjustment of the social structures to the continuously and rapidly changing needs of the economic and international developments*"<sup>47</sup>. The political parties respond by using the traditional populist methods, which exacerbates the situation perpetuating the vicious circle. As K. Simitis argued the only way to break this vicious circle, is not the clash between political parties, which have lost their credibility, *but the clash between the populists on the one hand and the modernisers on the other, within the political parties themselves*.<sup>48</sup>

In sum, interest aggregation and articulation is characterised by particularistic and fragmented relations between public and private spheres and as such is being directly challenged by the application of the principles introduced with the European Regulations, which require a collective approach to policy making process.

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<sup>46</sup> *Ibid*, pp. 63. Regarding re-organisation of State and in particular decentralisation, it also failed as it involves among others, the transfer of personnel from the centre to the periphery, a measure strongly opposed by civil servants associations. *Ibid*, p. 65.

<sup>47</sup> Simitis, K. (1989), *supra*, p. 16

<sup>48</sup> *Ibid*, p. 17. It should be noted that this statement was made at a time well before Simitis became Prime Minister, and even before he launched the *modernising* movement within PASOK. Emphasis added.



## *The Organisation of the State - Constitutional and Legal Arrangements*

- *Definitions*

There is usually confusion regarding the terms used to describe the organisation of the State. A clarification is attempted here before further examination of the Greek administrative structures is discussed.

There are basically two systems of state organisation, namely the system of *centralisation*, according to which powers are reserved to the State in its narrow sense, and *decentralisation*. As regards the system of *centralisation* it is distinguished in *concentration*, i.e. exertion of competencies by central governmental bodies wielding power over the entire national territory, and *deconcentration* which involves exertion of power by governmental bodies over a part only of the national territory. Obviously, *deconcentration* is classified under *centralisation* because it suggests that powers and competencies rest with the State in its narrow sense, as opposed to powers devolved to bodies possessing own legal personality, and enjoying a certain degree of administrative and financial autonomy.

Decentralisation as an organisational pattern finds its purest expression in *self-government* and involves mainly a) existence of an entity with own legal personality, i.e. separate from that of the State, b) participation of its members in the execution of administrative competencies, suggesting that in a self government organisation *the people* is the ultimate carrier of the powers devolved to the organisation, c) independence of the self-government organisation vis-à-vis the State and the other public agents, i.e. decision making powers and independence in performing acts in the context of the devolved competencies, d) State control, without which a self government organisation

would be a State on its own, and e) the management of public affairs regarding *executive powers only*.<sup>49</sup>

*Regional government* in Greece before the introduction of the Regions by Law 1622/1986, referred to the level of the Prefectures, discussed below. The Greek word *peripheria* used as the equivalent of the word *Region* is also used to denote those areas of the national territory other than the Capital of the country and/or the big agglomerations.

*Local Self-government Organisations (LSGO)*, the lowest administrative tier, enjoying a certain degree of administrative and financial autonomy, was subject to *legality and expediency control* by the Prefect who was the representative of the Central State (until 1994 when the Prefectures became Prefectoral Self-governments). Accordingly, it was at the level of the Prefectoral government that resources of the National Budget meant for the so-called local-regional development were allocated and managed. It is characteristic that there is no such term as *prefectoral development*, but the term *regional development* has always been used instead. The term *regional development* is acquiring a more specific content after the introduction of the Regions by Law 1622/1986 mentioned above, and mainly due to the paramount role attributed to the Regions in the management of the European Funds' resources.

*Legality control* is exercised by the State on public bodies and organisations regarding conformity of their Decisions with legal provisions. It is supposed to be limited only to formal requirements, i.e. procedures as provided for by law. On the other hand, *expediency control* involves apart from legal conformity of procedures, the examination of Decisions as to whether these should have been made in the first place. Although expediency control can be used more easily to stifle powers and competencies and consequently

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<sup>49</sup> This section draws almost entirely on Raikos, A.G. (1982), *"General Theory of State"*. Athens (No publisher mentioned), pp. 102-121.



## REGIONS OF GREECE



Source: Hellenic Cartographic Society

LSGO development, legality control has been equally effective as a means used by the Prefecture (i.e. before 1994), to block Local Self-government's Decisions by delaying their legalisation. Expediency control was abolished by Law 2218/1994.

- *Local Self-government Organisations: Lack of Resources, Know-how and the Dependency Bond with the Central State.*

According to the central argument of this thesis, resistance to reforms is analogous to the consequences that these involve for the existing distributional patterns in regional development policies in Greece, and the threat presented thereby to the actors involved at all levels, but ultimately to the centralised clientelist State. Accordingly, the description of State organisation below is seeking to highlight in particular the role of the various administrative tiers and actors in the process of resource distribution for regional development. Emphasis is placed on the organisational and financial incapacity of the Local Self-government Organisations (LSGOs).

As noted above, Kapodistrias, the first Governor after Independence achieved a robust invasion of the central state in the management of the local affairs through the establishment of a system that divided the country into thirteen prefectures, (in Greek, *nomoi*). Prefects were appointed as heads of the *nomoi*, while each prefecture was divided into *provinces*, and each province into towns and villages. This was in fact a system of local administration rather than one of Local Self-government, since the sub national units were no more than branches of the central administration headed by Kapodistrias's appointees. After Kapodistrias's death, Otto's reign was the era during which the Bavarian administrators who followed him in the newly created kingdom,

consolidated a strictly centralised model of governance.<sup>50</sup> They divided the country into ten prefectures and forty-seven provinces.<sup>51</sup> At the end of 1833 the first merger of local government entities in Greek history occurred: thousands of small communities were merged and the country was divided into 750 municipalities, as the first -and unique- degree (level) of Self-government. Officials appointed by the Crown headed local-government entities and despite the attempts at reform during the rest of the nineteenth century, Local-government remained embraced by the State.<sup>52</sup>

The first half of the 20<sup>th</sup> century was marked by successive efforts at rationalisation of the sub national organisation of the State with the entrance in the political scene of "new men". E. Venizelos, one of the most eminent political figures introduced Law ΔΝΖ'/1912 "On Establishment of the Municipalities and Communes", a law that put an end to Bavarian mergers and in general the Bavarian administrative model. Thus the country was fragmented into thousands of "still-born" municipalities and communes with view to weakening the local politicians in favour of a strong Central State.<sup>53</sup> LSGO over-fragmentation has been ever since one of their main traits and a reason for their inability to meet the needs of any serious planning for local development.<sup>54</sup> This weakness becomes even more crucial in connection to the other important obstacle i.e. the chronic

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<sup>50</sup> On the first years of Independence and the developments in the establishment of the centralised state, see among others: Komninos-Hlepas, N. (1994), *"The Multi -level Self-government - Theoretical Quests and Institutional Transformations"* Sakkoulas, Athens-Komotini. Also, Christophilopoulou-Kaler. P. (1989), *supra*.

<sup>51</sup> The officials in head of these divisions were appointees of the Crown. However, extreme concentration of power in the hands of the prefects was avoided, with a balanced share of power between the latter and a number of other local officials who, nonetheless, were also appointed by and answerable to the Crown.

<sup>52</sup> Komninos-Hlepas, N. (1994), *supra*, pp. 43-55.

<sup>53</sup> *Ibid*, pp. 109-110.

<sup>54</sup> For a detailed account of the issue and the ensuing exacerbation of the developmental problems see Ministry of the Interior, Public Administration and Decentralisation (1998), *"The organisation of the Local Self-government" Introduction to Law 2539/1997"* (In Greek), Athens.

dependence of the LSGO on the Central State, for resources. More specifically, while one of the most important elements of self-government is financial autonomy, the Greek State has never allowed LSGO adequate own resources. Instead, LSGO funding has been used to keep local authorities hostages of the Central State.<sup>55</sup>

A LSGO feature particular to the Greek political system has been their utilisation by the political parties for Opposition policies. Because the Right was in power for a very long time blocking all resources to the Opposition parties, both the Left and later the Panhellenic Socialist Movement (PASOK) used LSGO resources for their opposition policies. PASOK's promise (also as a reward for the help received from LSGO while in opposition) was that once in power it would enhance decentralisation and grassroots level decision making by empowering institutionally and financially local self-government. The party's Proclamation of Fundamental Principles and Objectives, of 3 September 1974 included specific clauses on enhancement of decentralisation of the State, placing among its objectives, *"the regionally decentralised social planning of the economy..."*, involving the competent social agencies which are *"the state, the region, the municipality or community, in proportion to the size, the type and the significance of the productive unit"*. and *"administrative decentralisation with the strengthening of local self-government"*.<sup>56</sup> Therefore, a restructuring of regional development policy process and economic planning, through among others, the establishment of the Region as a subnational tier, co-responsible for social planning was on PASOK's agenda already in 1974, long before Greece's full membership and the introduction of the IMPs.

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<sup>55</sup> Apart from Komninos and Christophilopoulou, on LSGO funding see, Tatsos, N. (1988), *"State Allowances to Local Self-government"*. (In Greek) Athens, EETAA.

<sup>56</sup> Clogg, R. (1987), *Parties and elections in Greece. The Quest for Legitimacy*, London C. Hurst and Company, p. 222.

This is significant at any effort to establish a theoretical framework with view to explaining empowerment of the Regions in the European context. It has been -rather correctly- pointed out that, certain approaches attributing subnational mobilisation exclusively to the application of Community policies fail in fact to take into consideration factors like previously existing trends at the international level, or exigencies stemming from domestic politics.<sup>57</sup> It seems that the establishment of the Regions in Greece offers an illustration to this argument. This is discussed in a later chapter.

After PASOK's accession to power in 1981, significant changes occurred in decentralisation policies. There were successive reforms in an effort to enhance the role of LSG. However, governmental choices in this field were finally influenced to a very large degree by the party's choices. It has been argued that decentralisation in particular, is the field par excellence in which policies affect the territorial distribution of power to a larger degree than the socio-economic development, and as a consequence, governmental policies are determined largely by party considerations, and in particular by power distribution within the party organisation.<sup>58</sup>

As a result, PASOK's decentralisation policies became the field of intra-party power conflict and was used to enhance the position of groups and individual members of the party. There was a contradiction between the announced decentralising policy of EATOP (a party committee created specifically to promote decentralisation), and the centralist practices of the same body. On the one hand it was announcing schemes for the strengthening of local authorities and their associations. On the other hand, *"it was exerting*

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<sup>57</sup> See e.g. Jeffery, Ch. (1997), *"The Emergence of Multi-Level Governance in the European Union: A Domestic Politics Approach"*, Paper presented at the 8eme Colloque International de la Revue "POLITIQUES ET MANAGEMENT PUBLIC".

<sup>58</sup> Christophilopoulou P. (1997), *"PASOK and Local Self-Government: Organisational Structure and Policies"*. In Spourdalakis, M. (Ed), *"PASOK: Party - State - Society"*. Athens, Themelio, pp.195-196.



*power behind the scenes*". Through EATOP the municipalities and communes politically affiliated to PASOK, were used for the support and promotion of the governmental work and the party's goals. Even when reforms were introduced, these in the long run served party purposes. More specifically, EATOP made sure that the re structuring of the Municipal Organisations served the party's interests. As characteristically argued, "*EATOP made local-government the area where the party had acquired knowledge, competence and control of local government organisations to a degree unprecedented for political parties in the post war period*".<sup>59</sup>

LSGO weakness was exacerbated by the fact that, as has been always the case in Greece, analogous transfer of resources did not accompany whatever transfer of competencies to LSGO. This meant that LSGO had to carry out additional tasks without possessing the necessary means. One of the reasons why LSGO was not granted the financial means to carry out the new responsibilities has been the fact that the State's resources were depleted.<sup>60</sup>

- *The Prefectures and the Failure to Establish Prefectoral Self-government(PSG)*

The successively amended Greek Constitutions provided for administrative deconcentration. It was first guaranteed in Art. 105 of the Constitution of 1925, the stipulations of which were repeated in the Art. 108 of the Constitution of 1927. The Constitution of 1952 provided for

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<sup>59</sup>Christophilopoulou-Kaler, P. (1990), *supra*, pp. 168-170.

<sup>60</sup> As pointed out by a local government expert, "*Decentralisation costs and the State could not afford it; European funding was used to rescue PASOK's decentralisation policies.*" Interview with T. Sapounakis, LSG expert, special consultant to the Minister for the Interior, Spring 2000.



deconcentration, in the same article as for decentralisation, i.e. Art. 99 § 1, although not in the same detailed manner as its predecessors.<sup>61</sup>

The most dominant pattern of administrative deconcentration has been division in *prefectures* borrowed from the French administrative model.<sup>62</sup> Prefectures, which have played a cardinal role in regional policy-process and through it the preservation of the over-centralised State, constituted simply deconcentrated branches of the latter. There have been several abortive attempts at the establishment of Prefectoral Self-government starting with the royal Decree of 3rd April 1833. The second attempt was made after the revolution of 3 September 1843. Much later, on 27 May 1887, a law on Prefectoral Councils and their competencies, was passed in the Parliament, but was abolished in 1890.<sup>63</sup>

The reason why these successive legal reforms were not implemented should be sought in the fact that they challenged directly the core of the political system, i.e. the clientelist politics and the actors benefiting from it. In particular, they challenged the intricate clientelist networks built around the Prefecture and the resources it allocated in the context of regional policy processes.<sup>64</sup>

The most consistent effort to introduce PSG has been associated with Charilaos Trikoupis, a prominent politician of the 19th century, a 'moderniser' aspiring to the modernisation of Greece according to the western standards,

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<sup>61</sup> Raikos, A. G. (1982), *supra*, p. 124.

<sup>62</sup> Dagtoglou, P.D. (1984), "*General Administrative Law*", Sakkoulas, Athens, p.397. However, another tier, the *General Administrations* were established to meet specific needs arising from the acquisition of new lands as a result of wars. After several modifications they were abolished by Law 3200/1955. See: Andronopoulos, V. and Mathioudakis, M. (1987), "*Regional Administration / Local Self-government: Historical Development*", "ADMINISTRATIVE REFORM", Nos 31-32, pp. 35-61.

<sup>63</sup> *Ibid.*

<sup>64</sup> Fully analysed in the following chapters.

who was only too well aware of the role of the Prefectures in nurturing and promoting clientelist electoral interests. His plans to re-organise the administrative structure of the State, by introducing among others Prefectoral Self-government, had as a main target precisely the enfeebling of clientelist formations. In short, he believed the country's modernisation depended among others, on departure from the "*tradition of personalistic, clientelist political parties that functioned as intermediary mechanisms for the possession of the State*".<sup>65</sup>

Trikoupis introduced Law AΦNC'/1887 on administrative re-organisation of the State. It was less ambitious than what he would have liked it to be, but it was the only way he could have had it passed in the Parliament, due to strong resistance by "old style" politicians, i.e., those attached to clientelist practices and the over-centralised State. According to the new law, Prefectoral self-government enjoyed own legal personality and the Prefect and the Prefectoral Councillors were directly elected for a four-year term. However, the most revolutionary innovation was introduced with Articles 5 and 7 of the above law, which stipulated exclusion of MPs, Mayors and Presidents of Communes from the right to run for Prefectoral Councilors. This meant that MPs, i.e. patrons at the central level, and Mayors and Presidents of Communes i.e. patrons at the local level, could not use their clientele to get elected and continue their clientelist politics at the Prefectoral level, by using this time the resources allocated to the Prefectoral Self-government. In addition to that, Article 31 prohibited political discussions in the Prefectoral Councils, as well as interference in the Councillors' duties, obviously in an effort to isolate their activities from clientelist practices. However, Law AΦNC'/1887, was abolished in 1890 by Th. Delighiannis, an "old style" politician during his term of office as a Prime Minister.<sup>66</sup> This attempt at establishing PSG is illustrative of

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<sup>65</sup> Chlepas, N. K. (1994): "*The Multi-tier Self-government*". Athens-Komotini, Sakkoulas, pp. 77-78.

<sup>66</sup> *Ibid* pp. 82-93. Delighiannis was an "old style" politician and a political opponent of Trikoupi.

the pattern repeated several times in Modern Greek history. It reveals the clash between the two distinct cultural paradigms, the predominance of the older one, confirming at the same time the cultural embeddedness of the administrative arrangements as determined by power and resource distribution.

The next most important phase in developments regarding State organisation was the inter-war era, marked in the Greek history by the presence of another inspiring political figure, Alexandros Papanastassiou, a "moderniser" and a socialist. An ardent champion of the re-organisation and democratisation of the State, he had concrete ideas regarding self-government and deconcentration which he managed to get incorporated in the Constitutions of 1925 and 1927.<sup>67</sup> Nonetheless, once more the relevant constitutional provisions were not enacted. Thus the Prefectures remained parts of the Central State's legal personality.

After the WWII, the Constitution of 1952 in Article 99, very timidly and laconically provided that "*State organisation is based on deconcentration and local self-government as provided by law*", adding that "*municipal and communal authorities are directly elected*". State organisation became so centralised that all local problems were solved at the central level. This tendency, in connection to the increased State activity necessary to meet the needs resulting from the damages of the war placed a huge burden on the Central State bureaucracy, leading to the need for deconcentration. It was against this background that new legislation was enacted. More specifically, Law 3200/1955 "On Administrative Deconcentration" as amended with Legislative Decree 3620/1956, transferred a large number of competencies from the Ministers to the Prefects, which resulted in the creation of field services in the prefectures.

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<sup>67</sup> On Papanastassiou and his ideas on administrative and State organisation see Tahos, A. I. (1987), The "*Views of A. Papanastassiou on the State and Public Administration*". In Anastasiadis G. et al (Eds) (1987), "*Alexandros Papanastassiou. Institutions, Ideology and Politics in the Inter-war Era.*" (in Greek) Athens, Polytypo, pp. 277-324. Also, Chlepas, N. K. (1994): *supra*, pp. 121-151.

The Prefects, directly dependent and answerable to the Minister for the Interior, were responsible for the application of the Government's policies at the Prefectoral level.<sup>68</sup>

Prefectoral Councils were also established, vested with advisory powers only, in order to assist the Prefect in his extended responsibilities. They consisted of civil servants and a limited number of members elected by Local Self-government Authorities. Law 439/1976, amending Law 3200/1955 added to the composition of the Prefectoral Councils a representative of the labour unions, but he was not elected, instead he was appointed by the Prefect. Thus, the majority of the votes belonged to the appointed civil servants. In reality, the decisions of the Prefectoral Councils "... were expression of the "State Establishment""<sup>69</sup> The important innovation however, significant for the discussion in this thesis, was the creation of a Prefectoral Fund, also introduced with Law 3200/1955, as a public legal personality, meant to function as a tool for local and regional development planning<sup>70</sup>. For this purpose, the Prefectoral Funds would be responsible for the administration of funds coming from the State Budget or the Public Investment Budget (PIP)<sup>71</sup>, as well as funds allocated to the Prefecture by the various Ministries.<sup>72</sup>

Nonetheless, due to the synthesis of both the Board of Directors of the Prefectoral Fund, and that of the Prefectoral Council which made the final

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<sup>68</sup> On the development of the Prefectures see, Velonias, E. (1984), *"Prefectoral Administration"* ADMINISTRATIVE REFORM, No 17, pp. 44-59.

<sup>69</sup> Beteniotis, E.A. (1978), *"Self-government and Regional Development"*. (In Greek), LOCAL SELF-GOVERNMENT, No 1, pp. 22-23.

<sup>70</sup> i.e. at the prefectoral level. . It should be noted that a step towards a more coherent organisational pattern of the Prefectures was made with the Legislative Decree 532/1970 "Supplement to the Provisions on Administrative Deconcentration".

<sup>71</sup> This is part of the State Budget allotted for productive projects.

<sup>72</sup> The Board of Directors was composed of the Prefect as President, three high ranking civil servants, one of the elected members of the Prefectoral Council, and a representative of the Local Association of Municipalities and Communes (TEDK).

decisions, all perspectives for a democratic local-regional development planning were invalidated. The synthesis of these two bodies and the respective balance of power within them, meant that allocation of funds for local development projects was entirely under State control, exerted through the Prefectoral Council, or rather the Prefect himself. This state of affairs remained unchanged in the post dictatorial period. As characteristically noted, "*The Prefectoral Councils are dismantled collective bodies, without any initiative...the Prefect represents not only the Government but the party as well. He is more of a party commissioner...*" <sup>73</sup> It is precisely in this context that resource allocation to LSGO for local development projects was used for electoral purposes. There are two dimensions in this: A) Local Self-government Authorities (LSGA) used the funds for projects – almost in their totality for small-scale basic infrastructure public works-, in a way to ensure their re-election. B) Apart from the local electoral interests, general election considerations also determined how PIP and other resources were allocated. It makes sense that those LSGA affiliated to the ruling party were likely to receive larger sums for their local development projects, as this served also the central governments electoral interests.

Law 1235/1982, "*Application of the Governmental Policy and the Establishment of Popular Participation in the Prefectures*" passed by PASOK shortly after its advent to power, was the first response to the needs of European Integration. It introduced an improved version of the Prefectoral Councils, composed of representatives of the local productive and professional associations presided by the Prefect, and vested with decision making powers on the distribution of the funds of the Public Investment Programme allotted to the Prefecture. The aim of this reform was to achieve social consensus at the local level, and dismantle the old clientelist networks by means of an open communication between the administration and the local pressure groups.

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<sup>73</sup> Beteniotis, E.A. (1978), *supra*.

However, the reform brought about erosion and weakening of the clientelist bonds between the MPs at the central level on the one hand and the local societies on the other, but this was done in favour of the party's local organisations, which controlled the local interest groups through the representatives of the latter in the Prefectural Council.<sup>74</sup> This development is related to the mode of interests aggregation and articulation in Greece as discussed above, whereby union leaders are party members promoting their personal interests through those of their party rather, than the interests of their union. The new arrangements had the following results: the re-distribution of power attempted through broader popular participation in Prefectural Councils provided for in the new law, in connection to the latter's authority to handle funds from the Public Investment Programme, soon was seen by the PASOK MPs as a threat. The MPs realised that the members of the new Prefectural Council had stronger ties with the respective local committees of the party as being closer to them and therefore more easily subject to their influence. This meant that the members of the party's local committees could use their influence on the members of the Prefectural Council, and as a result the resources of the Public Investment Programme for their own clienteles, at the expense of similar interests of the MPs who were at the centre, and therefore less influential on the Prefectural Councils. As a result, there were conflicts regarding the nomination of candidates for the Prefectural Councils, especially when politicians with small influence on party apparatus were trying to enhance their position through extension and strengthening of their clientelist networks.<sup>75</sup>

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<sup>74</sup> Christofilopoulou-Kaler: (1990) *supra*. See also, Velonias, E. (1984), *supra*.

<sup>75</sup> Christofilopoulou-Kaler: (1990) *supra*, pp. 244-245.



- *Local-Regional Development Programmes: Structures and Practices.*

So far, it has been shown that LSGO have been institutionally and organisationally weak ever since the emergence of the Modern Greek State, and under strict State tutelage. The Prefectures, through which resources for local development were distributed to LSGO, were headed by the Prefect responsible for the application of governmental policies. However, there is only a superficial contradiction between formal i.e. legal arrangements on the one hand, and eventual practices on the other regarding local development policies. In reality, legislation regarding distribution of powers and resources is characterised in most cases by inherent contradictions. On the one hand it devolves powers and competencies, while on the other hand it does not provide in parallel for the resources necessary for the exercise of these competencies. Therefore, legislation on deconcentration and decentralisation most of the times contains the concealed intention of the legislators to retain the existing status quo.

It is characteristic that in all Local Self-government Codes (codified legislation concerning organisation and administration of LSGO), it is provided that the latter are expected to draw their own developmental plans and submit their proposals to the Prefecture for approval and inclusion in the Prefectoral Development Programmes. Developmental planning is implemented at LSGO level by the Municipal and Communal Councils. At the Prefectoral level the responsibility for the initial approval of the plans belongs to the Directorate of Planning. The Municipal and Communal Councils at LSGO level, and the Directorates of Planning at the Prefectoral level were officially responsible for planning. Before 1986 the common procedure consisted in forwarding development proposals in the form of Municipal or Communal Council Decisions to the Prefecture for approval. The Directorate of Planning after studying the plans and in close collaboration with the Prefect would forward

the approved works to the Prefectoral Council for the final approval. A work could be financed in two ways:

- 1) with own LSGO resources
- 2) with state allowances or interference

The latter could be either **a)** by transfer of the necessary funds to LSGO through the Prefecture, or **b)** if it concerned a work of a large scale it would be implemented directly by the central government.

More specifically, the typical procedure before 1986 had as follows: the national budget contained a portion for the Public Investment Programme (PDE). This amount was divided among the various Ministries which would then allocate these funds to their respective field services in the Prefectures through a specific part of their budgets the so-called Collective Action Decision(CAD). After the Budget was approved by the Parliament, the Prefects, political appointees of the Government would claim the amounts proportionate to their Prefectures. These resources were used then for the funding of the Local Public Investment Programme (LPIP), i.e. at the level of the Prefecture.<sup>76</sup>

One of the problems consisted in that the amounts were allocated to the Prefectures according to the population criterion only, i.e. there was no prior concrete planning proposal to serve as the basis for resource allocation to the Prefectures. The Prefect would allocate the sums to the LSGO after approval of the latters' developmental programmes, which were no more than mere lists of small scale public works. There was total lack of ex-ante evaluation due to **a)** lack of know-how and infrastructure of the LSGO but also of the Prefecture, **b)** lack of planning strategy and the respective mechanism at the national, prefectoral and local levels. It is characteristic that even the Ministry of Co-

ordination, later Ministry of National Economy (YPETHO), responsible at the national level for the implementation of the developmental policies lacked the expertise necessary for programming, the notion of which was almost alien to the Greek administration.

One of the reasons was the non-meritocratic criteria according to which the staff at all administrative levels was employed. Lack of knowledge was combined with lack of continuing education, that would to a certain extent remedy some of the flaws, while allowing to those initially qualified to keep up with developments in the relevant fields. However, it seems that there was also almost total lack of interest to change this situation, which has been attributed partly to the classical security dilemma, but primarily to the fact that the existing framework facilitated clientelist practices and the preservation of the existing status quo.<sup>77</sup>

Thus it should not be surprising that the Prefectoral Programmes just as the Local Developmental (LD) Programmes, were mere incoherent lists of small scale works and projects, without technical details or ex ante evaluation and environmental studies. A number of important points need to be made here. There has always been in Greece lack of basic infrastructure and this explains the overwhelming presence of basic infrastructure works in LD Programmes. Their small scale is moreover related to other important parameters: **a)** LSGO lack of resources, expertise and infrastructure would not allow them to carry out large projects at any rate. **b)** Implementing many small “fancy” works secured LSG politicians their re-election, while at the same time allowed them to satisfy as many “clients” as possible. **c)** Fragmentation of larger projects into small works allowed LSGA to bypass legal provisions

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<sup>76</sup> For a detailed analysis of the Local Public Investment Programmes and in general the finances of the Local Self-government, see Christophilopoulou-Kaler, P. (1990), *supra*.

<sup>77</sup> As pointed out by E. Plaskovitis, this weakness of the Greek State has been the reason why the Commission's role has been particularly interventionist, often in violation of the principle of partnership. Interview with E. Plaskovitis. The role of the Commission in the application of the Greek CSFs is discussed in later chapters.

regarding direct award of contracts, thus promoting once more clientelist relationships.

Apart from fragmentation of resources, another main feature of public works production has been the underestimation of budget by the contractors during their offer of bids, with view to ensuring award of the contract. In the course of the implementation, and owing to the legal framework, mainly Law 1418/84 "*On public works and related matters*", the contractors were allowed to submit anew a list revising the costs of the works to be implemented, which more often than not involved a 50% increase of the initial budget. As expected this was beyond any consideration of serious planning, while once more, it allowed and promoted the function of clientelist networks consisting in contractors, and public actors.

In short LD programmes were mainly characterised by:

- 1) Ignorance, rudimentary planning, lack of integrated programming and developmental logic, and improvisation of the public actors involved both at the LSG and Prefecture level. It is characteristic that even the necessary documents for the bidding were often prepared by the contractors themselves, which is indicative of the interest the latter had in the preservation of this system.
- 2) Over-fragmentation of resources into small-scale works and direct award of contracts.
- 3) Under-estimation of budget by the contractors with view to achieve award of contracts, followed by budget revision and increase in the course of the implementation.

- 4) The so-called *diaploki*<sup>78</sup>, i.e. the complex interaction and exchange, along clientelist lines which constitutes as characteristically observed by a former member of a Municipal Council, a “*distortion of the notion of partnership*”. It consists in a “*partnership*” among the contractors, civil servants involved in the Public Works (PW) approval and control at the Prefectoral level, Local self-government authorities, members of the political parties’ local organisations, as well as bureaucrats and politicians at the Central level, and is characterised by complete lack of transparency.<sup>79</sup>

This was a complex network and procedure. Final approval of the Prefectoral Programmes was subject to the influences/demands of bureaucrats at the central government level, the clientelist needs of the local MP, who would be influenced by contractors and would exert pressure on the Prefect, and the clientelist needs of the Mayors and Presidents of Communes. The latter, in their effort to secure approval of the works they proposed, would lobby along clientelist lines politicians and bureaucrats either at the central or at the Prefectoral level, pursuing their interests in complete defiance of the developmental needs of the broader area, in a manner lacking in integrated logic.<sup>80</sup> The main pre-occupation of those involved in the distribution of funds was to pursue their own interest or at best, to ensure a balance between

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<sup>78</sup> *Diaploki* is an abstract noun meaning inter-weaving. *Diaplekomena* (interwoven), as a present participle has entered modern Greek jargon meaning the interwoven interests along clientelist lines.

<sup>79</sup> Interview with S. Iatrou, Municipal Councilor of Keratea and Prefectoral Councilor of Eastern Attica, June 1999.

<sup>80</sup> Ibid.



conflicting interests at the local level, not the far reaching consequences of their choices on the development of a given area.<sup>81</sup>

Thus, the distribution of funds by the Prefecture to the LSGO for developmental programmes constituted the most important tool of the State for the achievement of political integration at the local level. It is characteristic that, the Directorates of Planning of the Prefectures, responsible for the approval of the LSG development plans constituted field services of the Ministry for the Interior and not of the par-excellence competent Ministry of National Economy. This is easily explained if one considers the fact that the Ministry of the Interior, known for its conservatism, has always been responsible for the development of Prefectoral, Regional and Local Self-government policies and politics, but it is at the same time responsible for shaping the electoral legislation. Therefore, its main interests lie with promoting policies and politics of equal distribution and in general accommodating conflicting interests and pressures.<sup>82</sup>

This pattern stands at the heart not only of the regional policy process, but of the Greek political and administrative system, and its preservation has been vital not only to the survival of groups and actors involved in the public works projects, but to the preservation of the centralised clientelist State too. It illustrates the central argument deployed here, according to which resistance to reforms is analogous to the centrality of the elements challenged in the existing domestic arrangements.

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<sup>81</sup> Ibid. This has also been stated by Christophilopoulou-Kaler, P., (1996) *"Prefectoral Administration and Self-government in the Greek Political System"* Greek Review of Political Science, No 7, (In Greek).

<sup>82</sup> See Christophilopoulou-Kaler, P., (1996) *supra*.

*The IMPs and Law 1622/1986 "On Local Self-government, Regional Development and Democratic Planning"*

The first signs of the inadequacy of this system in the light of Greece's membership in the European Community appeared with the introduction of the Integrated Mediterranean Programmes (IMPs). The lack of expertise of the Local and Prefectoral administrations, as well as the often contradictory and vague instructions received from the Central Government, posed considerable difficulties to the Prefects in their effort to incorporate in the development proposals the logic of "integrated". Law 1622/1986 seemed to be a response to these developments, while it was at the same time the fulfilment of PASOK's promises for a strong local government, and the building of democracy at grassroots level.<sup>83</sup>

The truth is that the concepts of subsidiarity and partnership infiltrating the IMPs Regulations, and portrayed in Law 1622/1986, seemed particularly in accordance with the officially pronounced ideology of the ruling party, as did the middle-way approach, implied by the process of democratic planning described in the Law. However, as already mentioned there was a discrepancy between PASOK's officially announced decentralisation policies on the one hand and the party practices on the other. It is argued here that Law 1622/1986 provides further support for this argument.<sup>84</sup> More specifically Law 1622/1986 bears one of the most salient features of the Greek legislation concerning decentralisation and developmental policies: while it provides for a democratic planning process (also appearing in the title of Law 16622/1986), it does not provide for allocation of the necessary resources to sub-national units. Therefore, it should have been expected that it would not bring about the long

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<sup>83</sup> See Andrikopoulou, E. " *Whither Regional Policy?*" in Dunford, M. and Kafkalas, G. (1992), *"Cities and Regions in the New Europe"*. London, Belhaven, p. 201.

<sup>84</sup> The inherent contradictions of Law 1622/1986 offer further support for the arguments deployed in Christophilopoulou-Kaler's thesis, although the above law is not extensively analysed by her.

due reform of the administrative system and the institutional framework regarding regional policies. Before further discussing this feature a short presentation of the main provisions of this law is offered.

Very briefly the main innovations provided for in Law 1622/1986 have as follows:

- the division of the country into 13 Regions, a direct consequence of the IMPs Regulation
- the introduction of second tier of Self-government at the Prefectural level
- the voluntary merger of small inefficient municipalities and communes into larger entities with view to creating larger and stronger LSGO, capable of carrying out developmental plans
- a new four-tier planning system: National Plans -Regional Plans - Prefectural Plans -Local Plans.

Provisions for co-operation, and a net of hierarchical interdependencies were expected to guarantee co-ordination among the various tiers. The new system was designed to ensure a process of development, combining the top-down with the bottom-up paradigms. This was in conformity with the integrated approach of the new Community Regional Policy. It came moreover as a response to PASOK's Proclamation of Principles of 3 September 1974 regarding decentralisation and democratic planning.<sup>85</sup> Nonetheless, carrying this revolutionary plan into effect proved difficult. One of the few steps made

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<sup>85</sup>On the integrated nature of the Community Regional Policy introduced in the early 1980 see De Witte, Bruno (1990), *"The Integrated Mediterranean Programmes in the Context of Community Regional Policy"*. Working Paper Law No 90/8, Florence, Badia Fiesolana, European University Institute. The need to adopt an integrated process of Regional Development was stressed in the statement of the Minister of Interior, made on the occasion of the publication of Law 1622/86, in July 1986.

was the establishment of the Regions, deemed necessary in the light of the adoption of the IMPs. The country was divided into 13 Regions, established in 1987, which are part of the legal entity of the state.<sup>86</sup> The Secretary General of the Region is a political appointee, and answerable to the Central government. The Regional Councils constitute fora of representation of the Prefectures, the LSGO, and the social and economic partners. Their main competency consists in making proposals to the Central Government with regards developmental projects to be incorporated in the national developmental programme.

Until 1994, lodging the Secretariats of the Monitoring Committees of the IMPs was perhaps the only serious *raison d' être* of the Regions.<sup>87</sup> The organisational and financial weakness of the new tiers reflected the respective incapacity of LSGO. Throughout the application of the IMPs, (and until 1994), the preponderance of the Prefectures in resource allocation for regional development was left untouched, despite the introduction of the Regions. All proposals submitted by the Prefectures to the Regional Council were approved, while the Secretary General of the Region did not possess any real powers. The Region remained throughout the application of the IMPs an institution of almost no importance since it was again political balances that determined programme objectives that decided about modification of programmes and resource distribution. There was a redirection of the programmes with removal of innovative projects to small infrastructure projects geared to serve the needs

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<sup>86</sup> For a fuller analysis of the Regions, see Velonias, E. (1987), "Regional Administration / Local Government: Current situation". (In Greek), in "ADMINISTRATIVE REFORM" Trimestrial Journal of Administrative Science. Athens, Nos 31-32 / July-December, pp. 103-106.

<sup>87</sup> Article 9 of the Council Regulation 2088/85, for the adoption of the IMPs, provided for the introduction of a Monitoring Committee for each IMP. On the Monitoring Committees of the IMPs in Greece, see the contribution of Papageorgiou, F. and Verney, S. (1993), "Regional Planning and the Integrated Mediterranean Programmes in Greece" in Leonardi, R. (1993), (Ed.) 'The Regions and the European Community'. London, Cass,

of local clienteles. This process was monitored at a central level and the one of the main characteristics has been preoccupation with absorption.<sup>88</sup>

Against this background, the effort to combine the development from above with development from below model, was not successful either. The system tended to be over-centralised, as in the case of allocation of autonomous financial resources. Considering the continuing weaknesses of the local-government organisations, it is not surprising that democratic planning could not be implemented. The taxes raised by the Local Authorities were insufficient to allow them to redress the existing weaknesses, while control of the European funds remained in the hands of the Central government.<sup>89</sup> This posed significant limitations to local development planning, especially for the smaller and weaker local entities.<sup>90</sup> On the other hand, the institutional framework with its complexity and multiplicity of financial resources exacerbated the situation. LSGO faced new challenges, while remaining organisationally and financially weak.<sup>91</sup> PW production process retained all the pathological symptoms described above.

Moreover, once more, the establishment of the Prefectoral Self-government provided by Law 1622/1986 was not brought into effect. The Presidential Decrees required for the enactment of the provisions, were not

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<sup>88</sup> See Lavdas, K. (1997), *"The Europeanisation of Greece"*, Basingston, Macmillan. p. 227.

<sup>89</sup> See Papagiannis, P. (1986), *"The Chart for Self-government"*. (In Greek), LOCAL SELF-GOVERNMENT, No 51

<sup>90</sup> The Communist Party criticised the new law, among others, because while devolving powers to the sub-national units, it did not attribute to them economic self-sufficiency as well, which meant that the Local-government organisations would continue to be entirely dependent on the Central State. KKE (Hellenic Communist Party), (1985), *"Positions - Propositions of the Central Committee of the KKE on Local Self-government"*. LOCAL SELF-GOVERNMENT, Nos 1,2, pp.105-108.

<sup>91</sup> The weak points of the system and the need for a reform in the system of finance of Local government, was emphasised in the Introductory Report to the Parliament, on Law 1828/1989. See Ministry of Interior (Ed.) (1989), *"Economic Self-sufficiency of the Local-Government Organisations"*. (In Greek) Athens, January.



prepared. As already noted, the delays of the technocrats in drawing up the drafts of the Decrees, have been regarded as indicating the latent tendency of the Greek political system, towards the old centralised structures with view to preserving "*domestic opportunity structures*". In relation to this, it has been argued that, one of the common ways of stifling all efforts at reform is through the delegation of law-making power to the Executive. It involves the passing by the Parliament of general laws and of delegation of the power to the respective Ministries to issue decrees that make these laws specific. These decrees are prepared by high-ranking bureaucrats, signed by the Ministers and ratified by the President of the Republic. Owing to the paramount role of the Ministerial officials in the preparation of these decrees, as well as of other legal documents, the former have acquired considerable power as their expertise in the complexity of the existing regulations make them indispensable. Thus they are in a position to control and stifle any efforts at reforms that would jeopardise the existing arrangements of power and resource distribution.<sup>92</sup> An illustration of this argument is the case of the bureaucrats of the Ministry of the Interior, who hindered the issue of the Presidential Decrees necessary for the ratification of legal provisions establishing the prefectural self-government.

However, it is argued that, bureaucratic obstruction can be bent by political will.<sup>93</sup> Subsequently, the fact that in the case of Law 1622/1986 Prefectoral Self-government was not finally introduced should be attributed to the politicians' lack of will to see it implemented and their parallel intention to preserve the status quo. In that case then, the interest of the bureaucrats coincided with that of the politicians. It would be thus simplistic and even misleading to attribute failure to reform entirely and exclusively to bureaucratic obstruction. The reasons are far more complex: they involve also

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<sup>92</sup>Athanassopoulos, D. (1983), "*The Greek Administration*" Athens, Papazissis, p. 137, also, Christophilopoulou-Kaler, P. (1990), *supra*, p. 286.

<sup>93</sup> Christophilopoulou-Kaler, P. (1990), *supra*, p. 180

the politicians, as well as a whole range of actors public *and* private at all levels. More specifically, the role of actors at the lower levels has always been paramount for the preservation of the traditional patterns of power and resource distribution. As a consequence, the preferences of the politicians regarding administrative reform are also shaped by the preferences of other actors who promote the formers' electoral interests in parallel with their own. As noted before, this is an intricate pattern of public and private actors with vested interests in the preservation of the status quo.

Subsequently, the fact that enactment of the provisions regarding Prefectoral Self-government was left at the discretion of the bureaucrats, as well as the Law's inherent discrepancies obvious in the devolution of competencies on the one hand and the preservation of financial and in general resource dependence of the LSGO on the Central Government on the other, suggest that the intention of the political actors was to ultimately avoid reform and the resulting disturbance of the existing balance of power.

On the other hand, LSGO proved reluctant to rise to the challenges of the external stimulus i.e. the IMPs. LSGA resorted once more to clientelist practices instead of claiming collectively their rights. The four-tier system failed to work also due to inherent weaknesses of the administration. As regards partnership, it was hardly ever applied.<sup>94</sup>

Regarding mergers, they did not occur apart from very few cases indeed. Thus, the element of over-fragmentation of the whole system, as reflected in dispersion of resources in small-scale works, and in the large number of tiny inefficient LSG entities remained a prevalent feature of the regional development programmes throughout the application of the IMPs.

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<sup>94</sup> See Andrikopoulou, E. (1992), *supra*, p. 201.

### Summary

Clientelism and centralisation have always been the main features of the Greek political system. These elements are so deeply embedded in culture, and so well consolidated over the years, that despite the repeated efforts at reform they persisted throughout the modern Greek history. Overall, the regional policy process at the eve of the application of the 1<sup>st</sup> CSF for Greece had as follows:

- a) An over-centralised administrative system, with most decision-making occurring at the central level. The Prefecture as a deconcentrated State entity, was headed by the Prefect who was a political appointee, responsible for the application of governmental policies and directly answerable to the Minister for the Interior. The Prefecture's status was left untouched even after the introduction of the Region which was organisationally and financially very weak and functioned mainly to lodge the Secretariats of the Monitoring Committees of the IMPs.
- b) A weak Local Self-government, which despite its prestige of the popular mandate as directly elected by the people, was financially over-dependent on State allowances, and subject to legality and in certain cases expediency control by the Prefect. Moreover, the extremely large number of the LSGOs, and the small size of most of them, made any serious planning difficult if not impossible.

PW production, having a central position in regional policies in Greece, remained unchanged after the application of the IMPs. Regional Development programmes were characterised by the overwhelming presence of basic infrastructure small-scale works, lack of an integrated programming logic, fragmentation, improvisation and rudimentary approach, absence of technical and environmental studies, and evaluation culture. They were underlined by a

re-distributional not a developmental logic, and were monitored and controlled centrally, along complex clientelist networks that extended down to the local level.

LGOs resource deprivation as reflected in lack of technical infrastructure, personnel, know-how, and finances, a characteristic directly connected to the preservation of the centralised State, had as a consequence not only LSGA dependence on the Central State but also on the contractors. As a result, project selection for the Prefectoral and subsequently the Regional Development Programmes was not based on technical and developmental criteria but on clientelist and electoral considerations.

The above pattern was directly challenged by the requirements of the 1988 CRP reform.

CHAPTER THREE: GREECE AND EUROPEAN INTEGRATION: A THEORETICAL  
FRAMEWORK

*Introductory Notes*

According to the underlying thesis of this study, the operational rules introduced with Structural Funds' regulations proved a major challenge for the Greek administrative system, which exhibited a considerable degree of resistance to changes induced in the process of adaptation. The Integrated Mediterranean Programmes (IMPs) application (not the object of the empirical research here) left untouched the centralised clientelist mode of regional policy process, and almost the same could be stated rather safely about the 1<sup>st</sup> Community Support Framework (CSF). The institutions introduced in the second programming period met with strong reaction, although they started having some impact on domestic arrangements.

This chapter seeks to establish a theoretical framework with view to explaining this resistance. In order to do so, several parameters have to be considered. Firstly, it would be inaccurate to attribute the introduction of all the reforms in CSFs' context exclusively to the exigencies of the European policy process. It has already been shown for example, that some major reforms were part of the Panellenic Socialist Movement (PASOK) political agenda as early as 1974.<sup>1</sup> Similarly, the very idea of administrative reform has been among the aspirations of certain political and intellectual milieus as early as the 1960s.

Secondly, attempts at decentralisation and empowerment of subnational tiers of government had failed already prior to the application of the CSFs and -more significantly- even before the IMPs. Therefore, any attempt to interpret

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<sup>1</sup> See Chapter Two.



*domestic resistance* exclusively as a reaction to lack of legitimacy due to rules imposed by *supra-national actors* would be misleading, as failing to consider powerful *domestic factors* of resistance.

Thirdly, the timing and the context of the introduction of certain reforms should be given special attention and be studied in relation to other parallel developments before any hasty conclusions are drawn. For example, the establishment of self-government at the prefectural level in 1994 should not be interpreted as empowerment of this subnational tier solely induced from European integration. This rather idealistic and simplistic approach would fail to consider the background of this development, and possibly ignore the *degree of empowerment* of the prefectural government, particularly in relation to the parallel evolution of the Regions in Greece.

The above issues direct the analysis primarily to the reforming capacity of the Greek society in general and the State in particular, and subsequently turn the investigation to the significance of European integration as an argument and a process in the context of societal and state reform in Greece. In other words, it is necessary to have some concrete idea of popular tendencies and dispositions regarding a) State and societal reform, b) European membership, and c) how these come together and crystallise in the political parties policies, in order to be able to interpret the reaction of the Greek administrative system to the application of Structural Funds' Regulations. This will reveal the degree of self-reforming capacity of the Greek society, while it will allow for a more accurate estimate of the contribution of European integration in domestic reform in Greece.

This is even more important since it is argued here that domestic administrative reform induced by the application of 1988 reform can have far reaching repercussions not only on the administrative arrangements but also beyond. To the degree it involves serious changes in resource and power distribution it could signal transformation of the Greek society as a whole.

Consequently, after a short reference to practical issues of Greece's accession to the EU, the interaction of issues such as popular attitudes and aspirations, political parties and the European argument will be discussed. There are several important parameters directly linking political parties to the issue of state modernisation and the reforming process in the European context:

- a) Party ideology and organisation are significant because they influence party policies.
- b) In turn, when parties accede to power, party policies and organisation influence governmental policies and their application. Discussion in Chapter Two has shown how PASOK's ideology and organisation impacted on the party's decentralisation policies, and subsequently governmental policies when PASOK acceded to power.
- c) Finally, political parties, constituting traditional agents of interest aggregation and articulation should be expected to reflect popular attitudes towards European membership and the induced reforms. In the context of the present study this would suggest theoretically, that when in government, they should be able to apply European policies and introduce the necessary reforms with relevant success. This however has not been the case in Greece, a reality pointing to the issue of party ideology and how this is associated with the process of the reform.

An additional phenomenon of interest here linked to political parties and reforms is the emergence of think tanks in the 1990s promoting the debate on modernisation. The Association for the Modernisation of the Society (OPEK), attached to PASOK is discussed here as the most illustrative case and significant also because of its development, which offers support to the argument of cultural embeddedness.

Finally, the theoretical framework for the interpretation of the response of the Greek administrative system will be established.

### *From the Association Agreement to the Act of Accession*

On 8 June 1959 Greece submitted an application for Association with the EC. The Greek membership has been seen by students of the subject as the long pursued outcome of the efforts of "*a number of political and economic forces*", seeking to attach Greece's political economy to the West European sphere.<sup>2</sup> Greece's joining the Community was dictated by the needs arising from developments in the world economy in combination to Greece's idiosyncratic socio-economic and political trajectory as a modern State in combination to the country's geopolitical position, namely the fact that it belonged to the Western camp, and therefore should opt for a Western European institution. Additional foreign policy considerations were connected to Greece's problematic relations with Turkey.<sup>3</sup>

The decision to opt for EEC instead of EFTA was due to the fact that unlike the Community, EFTA was not going to evolve into a form of political co-operation offering Greece political protection vis-à-vis the then feared Communist danger. Moreover, it was not addressing the problem of regional disparities, and therefore did not envisage the possibility of economic aid for its less developed members.<sup>4</sup>

As far as the Community was concerned, it had also to gain from association with Greece. It would prove that it was an open union without taking serious risks, since Greece did not have a highly competitive agricultural sector as other candidate countries. More over, association with Greece offered

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<sup>2</sup> Lavdas, K. (1997), *"The Europeanisation of Greece"*, Basingston, Macmillan, p. 99.

<sup>3</sup> On Greece's foreign policy in the context of the accession debate see, Macridis, R. (1979), "*Greek Foreign Policy: reality, illusion, options*". In Tsoukalis, L. (1979), *"Greece and the European Community"*. London, Gower.

<sup>4</sup> For a condensed but comprehensive presentation of the issues and reasons behind Greece's accession to the EEC, see Verney, S. (1987), "*Greece and the European Community*". In Featherstone, K. and Katsoudas D. (Eds): *"Political Change in Greece. Before and After the Colonels"*. London and Sidney, Croom Helm.

an outlet to the agricultural produce of the Community, while at the same time it served as a link for the countries of the South and the establishment of trade relations between them and the Community.<sup>5</sup>

Regarding the official position of the Greek political parties of the times, they supported in their majority association with the Community. The negotiations lasted nearly two years and finally the Association Agreement was signed between Greece and the Community, under Article 238 of the EEC Treaty, in July 1961. It was in fact the first application of Art. 238 of the Treaty of Rome. The main targets of the Association Agreement included the gradual establishment of a customs union, harmonisation of economic policies, especially as regards agriculture, and financial aid to help economic development in Greece.

The establishment of the military dictatorship in 1967 caused the 'freezing' of the Association Agreement as regards policy harmonisation and the funding mechanism, while elimination of the tariffs continued to be a commitment for both parties. The European Parliament's appeals for a unilateral discontinuance of the relations were not answered, on the contrary, EC even negotiated with the Colonels on wine matters and issues related to the first enlargement. Thus, *"in the end the freezing of the Association was not at a particularly low temperature"*,<sup>6</sup> a fact that was due to influence popular opinion and domestic political debate on the issue of membership, after the fall of the junta.

At the re-opening of the negotiations after the fall of the junta in 1974 Greece had an additional reason to pursue accession: it was expected that

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<sup>5</sup> Haritos, S. (1981), *"Greece - EEC 1959-1979 From Association to Full Membership"*. Athens, Papazisis, p. 16.

<sup>6</sup> Tsoukalis, L. (1981), *"The European Community and its Mediterranean Enlargement"* London, George Allen & Unwin. p. 31.

membership would prevent recurrence of a dictatorship.<sup>7</sup> However, there were now strong reservations at the Community level. One reason was related to the fact that the rates of economic growth in Greece were not as high as in the period between 1962 and 1975, a situation deteriorated by the 1976 oil crisis. In addition, there were doubts as to whether Greece would be able to adapt its economy to those of the "nine", while it was also feared that Greek accession would make more acute the problem of the inflexibility in EC decision-making mechanisms.<sup>8</sup>

Furthermore, the oil crisis affected the economies of the Member States and caused friction among them. As a result, the prospect of enlargement with an economically weak partner caused a lot of anxiety to both wealthy Member States facing the likelihood of increased contributions, and to the weaker ones who feared shrinkage of their share of the Community aid.<sup>9</sup> These fears were exacerbated by the prospect of the Iberic enlargement. It was feared that Greece's acceptance as a full member would set a precedent paving the way to the other young democracies of the Iberic Peninsula. It was one thing to face membership of one Mediterranean State and quite another to have to deal with three. Moreover, K. Jenkins, then new President of the Commission maintained that the institutions of the Community should be strengthened before enlargement.<sup>10</sup>

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<sup>7</sup> On the economic and political expectations of the Greeks regarding membership, see Woodhouse, C. M. (1983), "Greece and Europe" in Clogg, R. *"Greece in the 1980s"*, London, Macmillan.

<sup>8</sup> Katsoudas, D. (1977), "About the European Community: The recent friction a cause for a more realistic approach to the issue?". EPIKENTRA, January 1977. For an analytical presentation of the issues arisen domestically and at the EU level regarding Greece's membership, also in relation to the candidature of Spain and Portugal see, Tsoukalis, L. (1981), *supra*.

<sup>9</sup> See Wallace, W. (1979), "Grand Gestures and Second Thoughts: the response of Member Countries to Greece's Application" in Tsoukalis, L. (Ed.), (1979), *"Greece and the European Community"*, London, Gower. Also, Katsoudas, D. (1977), *supra*.

<sup>10</sup> A discussion of the three candidatures is offered by Tsoukalis, L. (1981), *supra*. See also Katsoudas, D. (1977), *supra*.



At the domestic level the issue was handled solely at the governmental level, with minimum participation of the interest groups, while the negotiations with the Community were carried on in secrecy. Karamanlis visited repeatedly the capitals of the Member-States in an effort to ensure support, a policy which proved very effective.<sup>11</sup> The Treaty of Accession was signed in 1978, and Greece became a full member in January 1981, a few months before the general election and the advent of PASOK to power.

*Socio-economic development, ideology and the issue of reform in the Greek society.*

The discussion that follows is by no means an in depth analysis of the issue of socio-economic development and ideology in Greece, nor is such an analysis within the scope of this study. These issues are discussed here to the degree that their understanding allows an estimation of the reforming capacity in the Greek society, and at the same time supports the main hypothesis of this thesis.

The demand for modernisation or renovation became increasingly manifest in Greece in the post-war era. In the 1960s as well as in the period immediately after the fall of the junta, the idea of reform though was mainly connected to *democratisation* of the political regime. To the extent that there were aspirations for a comprehensive reform encompassing the society, the State in its narrow sense and the interaction between the two, followed by a rationalisation of the State apparatus, these were fostered mainly by intellectual and political élites but not by the wider popular strata. In reality this has been the main problem in any reforming attempt, i.e. the fact that the cause of modernisation was not espoused by the majority of the Greeks who remained attached to traditional value systems.

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<sup>11</sup> Tsoukalis, L. (1981), *supra*. See also Katsoudas, D. (1977), *supra*.

European membership raised the issue of reform in Greece from two distinct but nonetheless complementary points of view. On the one hand reform is seen as a need, a prerequisite for successful integration. On the other hand membership is understood as a *"force of modernisation"*<sup>12</sup>. In this context the cultural factor and the importance of the "human capital" have been recognised by students of the issue as critical determinants.<sup>13</sup> Significantly for the main hypothesis employed here, distributional considerations and cultural embeddedness are brought together as accounting for the difficulty of the Greek State and society to reform.

More specifically, the low reforming capacity of the Greek society has been attributed to economic and cultural backwardness owing to peculiar models of economic development and the impact they had on social formation. It should be noted that Greece has followed peculiar patterns of economic development not only in the 19<sup>th</sup> century but also in the second half of the 20<sup>th</sup> century, again with significant impacts on social formation and political culture. The 1960s, 1970s and 1980s were marked by the rise of petty bourgeois classes as a result of rapid economic development. These were characterised by *"ideological disorientation, a sense of loss of values,... a yearning for change without any concrete notion of what change should bring about. ... Finally, a vague inchoate, almost manichean sense of class antagonism vis-à-vis the 'privileged' strata. In short, a new stratum without as yet a distinct class identity, or ideology. ... it might perhaps be more correct to speak of a 'guild-type' mentality in order to attempt to convey the defensive stance, the insecurity, the parochial attitudes, the crass materialism...of this*

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<sup>12</sup> Featherstone, K. (1996), *Introduction* In Featherstone, K. and Ifantis, K. (Eds), *"Greece in a changing Europe"*, Manchester and New York, Manchester University Press.

<sup>13</sup> See among others, Drakopoulos, P. (Ed) (1979), *"Greece - E.E.C. Political Economic and Cultural Aspects"*. Athens, Epopteia. Tsoukalas, C.: (1992) *"Greek Identity in an Integrated Europe"*, in Psomiades, H. and Thomadakis, S. (Eds), *"Greece the New Europe and the Changing International Order"*. Pella. Pettifer, J. (1996) *"Greek political culture and foreign policy"*, in Featherstone, K. and Ifantis, K. (Eds), *"Greece in a Changing Europe"*, Manchester and New York, Manchester University Press. Lipovats, T. *"Views on the political psychology of the Greeks. Perspectives for 2000"*. In Katsoulis, H. et al (Eds) (1988), *"Greece towards 2000"* Athens, Papazissis, Friedrich Evert Stiftung.

*upwardly mobile stratum*".<sup>14</sup> As early as 1983, it was pointed out that there were two parallel developments: on the one hand the rise of this new class and the gradual dominance of its mentality, and on the other, the decline of the upper bourgeoisie ideology, related to the Diaspora Greeks imbued with an extroverted reformist mentality.<sup>15</sup> This, it was maintained, would have important implications on the political culture of the country.<sup>16</sup>

In reality, this 20<sup>th</sup> century socio-economic development in a way further consolidated the already peculiar relation between the State on the one hand and society on the other, which is not ideologically defined but rather on the basis of particularist interests. Consequently, it has been argued, the issue in Greek politics is not connected to ideology, but to the maintenance of the existing social relations, or "*rather the fact that no one is seeking to alter them*".<sup>17</sup>

In parenthesis, the elements accounting here as obstacles to reform are basically those composing the so called "social capital", which has been recognised by the Commission in the Sixth Report on Social and Economic Cohesion as an important factor in the developmental process, as discussed above in Chapter One. The critical flaw in the Greek society then is precisely its social capital, which is the result of the peculiar economic development models. Research has highlighted precisely the nexus between resource distribution on the one hand and cultural embeddedness on the other, and the resistance of the existing opportunity structures to imported models of

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<sup>14</sup> On the emergence of new petty bourgeois classes in Greece after the 1960s and their significance in the political culture and politics of the country, see Diamandouros, N. (1983), "*Greek Political Culture in Transition: Historical Origins, Evolution, Current Trends*". In Clogg, R. (Ed.) "*Greece in the 1980s*", London, Macmillan.

<sup>15</sup> On Diaspora mentality see Chapter Two.

<sup>16</sup> Diamandouros, N. (1983), *supra*.

<sup>17</sup> See, Simitis, K. (1989), *Introduction*, in Mouzelis, N. et al: "*Populism and Politics*". Athens, Gnessi, pp. 10-15. See also Chapter Two, footnote 41. Also, Diamandouros, N. (1996), "*The Impact of European Integration on the Domestic Structures*". In Pappagiannakis, Michael and Stephanou, Constantine (Eds.): "*Greece in the European Union: Assessment of the First Fifteen Years of Membership - Prospects*". Athens, Papazissis Publishers, pp. 201-207, to be discussed below.

economic development. It has been found that imposed western models of consumption and rational models of political and social organisation in the 1970s and 1980s have not been able to challenge successfully traditional values and behaviours. It was argued that the reason why this happened is related to the resistance of traditional behaviours "*socially linked to the non-rational way of economic consolidation of wide lower bourgeois strata, in the context of the preceding (economic) development*".<sup>18</sup> The high degree of politicisation observed in Greece until 1985<sup>19</sup> is not necessarily connected to ideological considerations. It should be stressed though that the point made here is not that the political debate lacked in ideology but rather that the *dominant mentality* in the Greek society was that of the rising petty bourgeoisie, characterised by *materialism and ideological confusion*. This feature of the Greek society and politics during in the 1970s and 1980s described as "*ideological fluidity*"<sup>20</sup> was reflected in the organisation of the political parties of post dictatorial Greece in what has been termed as "*polyisyllectikotita ton kommaton*",<sup>21</sup> i.e. the fact that each political party comprised different ideological trends. This trait announced the ever-closer ideological convergence of the parties which became more evident in the 1990s.

Moreover, as discussed below, it explains two phenomena of the Greek politics in the post dictatorial period: **a)** that the European argument was used as a point of cleavage between the two major parties, precisely in the light of other major ideological cleavages, **b)** that pro-European attitudes were found within both major political formations, despite the fact that their official

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<sup>18</sup> Alexandropoulos, S. (1988), "*Parties and social transformation*". In Katsoulis, E. et al (Eds), "*Greece towards 2000*" Athens, Papazissis, Friedrich Evert Stiftung. pp. 123-124.

<sup>19</sup> Lyringis, C. (1998), "*Crisis in politics, new political trends and the prospects of 'Modernisation'*", in Spourdalakis, M. "*PASOK: Party – State – Society*" Athens, Patakis, p.77.

<sup>20</sup> Lyrintzis, Ch. (1984), "*Political Parties in Post-Junta Greece: A Case of 'Bureaucratic Clientelism'?*" WEST EUROPEAN POLITICS, Vol. 7, No 2, pp. 99-118.

<sup>21</sup> Alexandropoulos, S. (1988), *supra*, p. 130.

positions on European membership were diametrically opposite. These issues are discussed below.

A third phenomenon and perhaps the most significant one in the discussion of the reform in the European context is connected to a development of the late 1980s and beyond. Namely, the fact that the high politicisation mentioned above retreated as a result of profound popular disenchantment regarding the performance of the political parties. This development has led to apathy reflected among others in the high abstention from the elections in the 1990s. As shown below this popular distrust has given rise within the political parties to movements advancing the idea of *modernisation*, with view to improving the parties' profile regarding efficiency, a development connected to the exigencies of European integration. It is on this point that the domestic aspirations to reform and the reforms induced in the context of European policies converge.

### *Public opinion and the European argument*

Because this thesis is preoccupied with domestic reforms induced in the European context, awareness of the reforming capacity of the Greek society should be complemented by an understanding of popular attitudes towards European integration. However the ramifications of the European argument in the Greek politics can only be grasped if placed in the wider context of foreign policy issues to which it has been directly connected before used in party competition. The following parameters have determined popular attitudes towards Europe:

a) The fact that Greek foreign policy had suffered from foreign intervention and/or tutelage, i.e. economic and political dependence which had left its imprint on popular consciousness. The sense of powerlessness vis-à-



vis foreign interests and intervention gave rise to a "defensive" culture and politics in the relations of the Greeks with the foreigners.<sup>22</sup>

b) The fact that in 1975, when the negotiations for full membership were resumed, Greece had just come out of a seven-year military dictatorship most often connected in the popular consciousness with USA and NATO support.

c) The rather tolerant attitude of the Community towards the Colonels already mentioned above.

d) The role of the Americans and the West in general during the invasion in Cyprus in 1974.

Due to factors (b), (c) and (d), the defensive aspect of the Greek society was intensified and acquired the dimensions of an unprecedented nationalistic resurgence characterised by strong anti-Americanism and anti-Europeanism, pervading all popular strata and the entire political spectrum.<sup>23</sup> Greece's withdrawal from the military wing of NATO in 1974 by Karamanlis, the conservative pro-European leader, on account of NATO's role in the Cyprus crisis is indicative of the extent to which the Greek society had been permeated by anti-West feelings.

These developments are significant in the analysis undertaken here because as shown below, there was soon a deliberate association of the anti-West attitudes to the issue of European membership used as a cleavage point between the two main political parties (and not alone) for political recruitment purposes, in the light of the "ideological fluidity" as discussed before. That this

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<sup>22</sup> Katsoulis, E. (1988), *"The 'Human Capital' in the process of Modernisation, The Greek 'Defensive Society' in front of the Challenge of 2000"*. In Katsoulis, E. et al (Eds), (1988), *supra* p. 37. Xenophobia and the defensive attitudes towards the West have been noted also in Chapter Two.

<sup>23</sup> Spourdalakis, M. (1988), *"PASOK. Structure, Internal Crises and Concentration of Power"*. (In Greek). Athens, EXANTAS, pp. 99-100.

has been the principal utility of the European or anti-European argument becomes evident from the discussion that follows.

It was mentioned above that ideological confusion was evident among others in the organisation of the parties which contained pro-European followers regardless of their official policy towards membership. It is characteristic that the anti European parties won altogether as much as 60.7 % of the national vote in the 1981 elections, the year of Greece's entry to the Community, while empirical research has proven that in reality popular attitudes were far more pro - European. More specifically, it was found that at the time of accession only 20% of the public in Greece were entirely against membership.<sup>24</sup> Political acceptance increased during the 1980s, as a result of the benefits drawn from membership. This development was matched by a remarkable change of the respective attitudes of the anti-European political camp towards a clearly pro-European stance, of which most significant is the transformation of PASOK especially in the 1990s. It is characteristic that the Maastricht Treaty was ratified by the Greek Parliament with 286 votes out of 300, with the Communist Party of Greece remaining the only clearly anti - European party.<sup>25</sup>

These findings indicate that a) the issue of membership has been used in the Greek politics mainly in party competition and for electoral purposes, and b) the fact that there was ideological confusion *within* the political parties. However, the most important point made here in relation to the findings above, is that integration enjoyed popular support and therefore, it could not be argued that resistance to reform as displayed in the application of the two CSFs stemmed from reaction to rules, norms and values introduced by a supranational authority. Public opinion in Greece has been supportive of the

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<sup>24</sup> Bourantonis, D. and Tsoutsoplides, C. (1996), "*Purchasing loyalty: Greece and the EU*". In Paraskevopoulos et al (Eds) "*Economic Integration and Public Policy in the European Union*". Cheltenham, UK - Brookfield, US. Edward Elgar. pp.285-286.

<sup>25</sup> *Ibid*, p. 287. PASOK's evolution of attitudes is discussed in more detail the next section.

process of integration, an attitude reflected among others in the rather favourable acceptance of the painful measures introduced by the Greek Government in the context of its convergence policies of the early 1990s.<sup>26</sup>

The truth is that the 1990s have been a decade during which the relationship with the Community has been reconsidered due to the clash between national on the one hand and Community policies on the other, such as the reform of the CAP, while political issues as the case of Yugoslavia have often led to oscillations in public opinion regarding the cost of integration.<sup>27</sup> It was correctly anticipated in the mid 1990s, that *"as economies converge and politics diverge, Greece will maintain its fundamental commitment to the Union, but will acquire a more eclectically critical posture. Perhaps this will augur well for a more mature relationship"*.<sup>28</sup> Indeed, this has been increasingly the case especially after the developments in the Balkans. However research has shown that the Greeks connect their future welfare in general with the Community<sup>29</sup> a stance which remains a major determinant in the relations with the Community.

In the light of the above, the causes of resistance to institutional reform should be sought elsewhere, namely to the threat that these reforms represented for the existing opportunity structures. The distributional foundations of resistance to reform have been repeatedly acknowledged. Traditional ways of integration at the national level, i.e. distribution of resources via clientelist networks and a type of idiosyncratic party-dominated corporatism are being replaced by new rational mechanisms in the process of integration. Non compliance with EEC Directives comes as a result of the resistance of groups and actors whose economic interests are jeopardised by the reforms. In that sense, resistance to change has been described as *"the*

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<sup>26</sup> See OECD (1991) Economic Surveys: *"Greece"*. Adjustment Programme 1991-1993, Paris.

<sup>27</sup> Bourantonis, D. and Tsoutsoplides, C. *supra*, p. 294.

<sup>28</sup> *Ibid*, p. 295.

<sup>29</sup> *Ibid* p. 287.

*expression of the existential anguish of large social strata of the Greek society, which with the perspective of this new logic of an open system are faced with issues of existence and survival"*<sup>30</sup>.

Similarly, the cultural element in the process of national adaptation is recognised as a factor that hinders smooth adaptation. It is argued that even if the Greek legal and institutional system complied with the rules of the EU, the Greek society would need more time to adjust to the new realities, as traditional structures and culture adapt with greater difficulty to changes, thus hindering the reforming process. Characteristically, it is pointed out that, "*the success of Greece's integration to Europe, i.e. the very success of development and modernisation will depend to a large extent, on the rapidity and the way in which the traditional values, attitudes and behaviours will give in before the modern values and behaviours*".<sup>31</sup> In other words, opportunity structures on the one hand, and cultural embeddedness on the other are viewed as barriers to successful adaptation of the country to the reforms induced in the European context.

In sum, it is evident that the factors accounting for the failure of reform have been located and acknowledged as being directly connected to patterns of resource distribution embedded in culture. Foreign policy popular attitudes complement and might intensify resistance, although it is primarily domestic opportunity structures that account for obstruction to change. This suggests that in the adaptation process it is not so vital whether the engines of reform are domestic or supra-national, as whether they challenge traditional patterns of power and resource distribution.

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<sup>30</sup> Diamandouros, N. (1996), "*The Impact of European Integration on the Domestic Structures*". In Pappagiannakis, M. and Stephanou, C. (Eds.): "*Greece in the European Union: Assessment of the First Fifteen Years of Membership - Prospects*". Athens, Papazissis Publishers, p. 204. K. Simitis, the current P.M. made identical observations in 1989. See this chapter, footnote 17.

<sup>31</sup> Katsoulis, E. (1988), *supra*, p. 38.

*Political parties in post-dictatorial Greece: ideology, organisation, the issue of membership and the impact on the reforming process.*

The Colonels had proscribed all political parties. The features of the party system that emerged in 1974 apart from the popular trends as described in a previous section of this chapter, were determined largely by the fact that the old cleavage between the traditional liberal camp on the one hand (represented by the centre) and the conservatives on the other was replaced by a new enlarged centre-right camp on the one hand and the socialist and communist left on the other.<sup>32</sup> However, this change did not summon the disappearance of the political tradition of the centre, retained in a large part of the electoral body, as well as in political forces allied to the two major parties.<sup>33</sup> This led to changes in the political profile of the two major parties as well as their competition to attract this share of the electoral body. In addition, research findings have shown that ND and PASOK voters did not differ largely in terms of social position,<sup>34</sup> all in accordance with the discussion about ideological fluidity and the *"polysyllektikotita ton kommaton"* above. According to an additional interpretation of the phenomenon of different ideologies within the same party, *"Greece was coming out of a period of 'ideological inertia'. There were groups of carriers of new ideas", but these had not assumed a concrete form. The political world was in search of new strategies but there were no specific ideas. In other words there was "lack of ideological clarity"*<sup>35</sup>

Due to the above there was a tendency to elevate the European argument into an ideology expected to fill in the ideological void with view to

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<sup>32</sup> Alexandropoulos, S. (1988), *supra*, p. 120. Further elaboration on the reasons and timing of this development are not of interest in this study. For a concise literature review of the interpretations of this evolution see *ibid*, pp. 120-123.

<sup>33</sup> *Ibid*, p. 128.

<sup>34</sup> *Ibid*, p. 129.

<sup>35</sup> Interview with Ch. Kastanides, Minister for Transport, and a leading figure in the modernising movement of PASOK since the early times of the movement. Autumn 1999.



attract voters. Whether as a pole of attraction of the liberal pro-European elements of the centre by the right-wing ND, or as a pole of attraction of the left anti-American anti-West voters by PASOK, the European argument has been central in the electoral competition during the period after the fall of the junta.

However, as shown below, after full accession and during the 1980s, the interest shifted from the political to the economic sphere, and this is directly connected to the issue of modernisation in the European context.

- *New Democracy(ND)*

As noted above, political parties were proscribed by the authoritarian regime and new political formations emerged in 1974. On his return from France, Karamanlis, enjoying great prestige, assumed the task to lead the country to normalisation. He formed a government of "national unity", and announced the first general elections for the 17 November 1974.

In September of the same year, he founded the right-wing New Democracy (ND), old ERE's successor. The party's statement of principles, a rather vague document,<sup>36</sup> included a clause that revealed its pro-European position, and connected the issue of membership to democracy: "*ND believes that Greece is not only entitled to, but can assure, the distinguished place and the happiness of its people within the Europe to which it belongs, if it mobilises all its abilities and if it makes use of all the virtues of its people.... A fundamental precondition, however, for all this is the implanting in our country of a genuine and up-to-date democracy*".<sup>37</sup> Moreover, throughout the campaign, Karamanlis stressed his intention to pursue full membership, insisting that Greece

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<sup>36</sup> Clogg, R. (1987), *"Parties and elections in Greece: the search for legitimacy"*, London, C. Hurst & Company, pp.61, 63.

<sup>37</sup> Proclamation of the Prime Minister Konstantinos Karamanlis on the foundation of the political camp New Democracy. *Ibid*, p. 225.

"belonged to the West", even after withdrawal from NATO on account of the Cyprus crisis.<sup>38</sup> Karamanlis won the elections with an impressive 54% of the votes, after having placed the dilemma "Karamanlis or the tanks", launched as a slogan during the campagne.

The second general elections, in November 1977 marked a turning point in the political life of the country. ND although the winner lost a large share of the electorate to PASOK which came second, attracting also followers of EDIK i.e. what was left of the late George Papandreou's Union of the Centre which suffered a strong blow. This had as a result its gradual disintegration. Apart from those who went over to PASOK, a number of eminent EDIK party members and some MPs left to join the ruling party of ND during 1978.<sup>39</sup>

This massive movement apart from signalling ND's expansion towards the centre, had another significant parameter: it was directly and explicitly connected to and even identified as the rallying of the pro-European political forces vis-à-vis the anti European PASOK in particular. The political debate of the times focused on the so-called "bipolarity" in the political life around the issue of Greece's membership.<sup>40</sup> A review of the press of the times reveals an effort to elevate Europeanism into a political ideology.<sup>41</sup> However, Europeanism as an "ideology" is a rather vague notion, and at best it could be seen as a doctrine, an "ideological principle" as declared by Karamanlis in his

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<sup>38</sup> *Ibid*, pp. 62-63. Overall, Karamanlis's government capitalised on the political factor to pursue full membership. As shown below, when PASOK acceded to power, re-negotiated and succeeded better economic terms. In short, there was this shift from emphasis on the political to the economic factor.

<sup>39</sup> See for example, *ELEFTHEROITYPIA* 27 March 1978, *KATHIMERINI* 9 July 1978, and 17 September 1978, (dailies).

<sup>40</sup> See "The distinction of the Greeks into Europeanists and anti-Europeanists", article, 25 May 1978, *KATHIMERINI* (daily).

<sup>41</sup> The titles of articles are illustrative: "Europeanists: The political ideology that will oppose PASOK" *KATHIMERINI*, 16 July 1978, also "Europeanists: the political ideology of enlargement" *KATHIMERINI* 30 September 1978.

speech in the 1<sup>st</sup> Party Congress of ND.<sup>42</sup> The basic elements of this principle however are significant for the issue of institutional adaptation to Europeanisation.

More specifically, the Europeanists were proponents of societal and state modernisation induced from Community membership. They aspired to membership in order to "*accelerate modernisation of all aspects of life according to the European models and to reinforce the Executive, as a technically defined need in order to achieve a social transplant in all possible levels -state apparatus, armed forces, industry, organisation of political parties etc. ... The Europeanists believe that the country's accession to Europe apart from securing the political regime and the borders, will put an end to a period of instability, amorphous and malfunction of the Greek society, and will pave the way for the formation of political parties with clear and specific ideological contour...*"<sup>43</sup>

There are two points here seeking attention: a) Awareness that lack of ideology and the *amorphous* of the society were factors hindering reform point directly to awareness of the issue of the "social capital", mentioned above. b) Special attention should be paid to the fact that the need for modernisation of political parties is mentioned twice in the small extract above. The necessity of a "*clear and specific ideological contour*" of the political parties is pointed out, which shows awareness of the importance of both the organisation and ideological clarity in the process of modernisation. Indeed, as shown below, these two elements have played a crucial role in the reforming process in the context of the two CSFs.

Moreover, and most significantly, public administration reform in particular was expected to result from the obligatory application of the rules and regulations of the EEC: It was expected that "*The obligatory application of the*

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<sup>42</sup> Cited in Katsoudas, D. (1993), "*PASOK and the European Community: an overview*". EPIKENTRA, No 75, pp. 51-66.

<sup>43</sup> KATHIMERINI, (daily) 30 September 1978: "*Europeanism: The political ideology of enlargement*".

EEC regulations in our country will contribute to the modernisation of public administration and the reduce of the bureaucracy.<sup>44</sup> The special interest of this early acknowledgement of the reformist dynamics of European policy application lies in the emphasis placed lately precisely on this property or function of "positive integration"<sup>45</sup>.

It should be pointed out though that this is as far as the discussion about Europe and reform went. The Europeanists did not seem to consider the existing institutions' resistance and persistence, or the means to deal with it. They had not formulated a specific strategy or approach to the issue. Moreover, there is no doubt that apart from the idealistic motives of the movement there was in parallel a great deal of political speculation. The 1970s European movement discussed above was dominated by the right-wing leader Karamanlis. This did not mean that parties with an officially anti-European profile did not contain pro-European tendencies: *"The Europeanists are on purpose identified with the ruling party, while in reality they cover a broader (political) spectrum and have fanatic supporters even within PASOK and the parties of the non-dogmatic Left"*.<sup>46</sup>

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<sup>44</sup> This description of the aspirations of ND's Europeanists belongs to K. Simitis, current PM and then Professor in the University of Giessen. Translation from the French text: "...La mise en application obligatoire, dans notre pays,..... des dispositions et des règlements de la CEE contribuera à moderniser l' administration publique et à limiter la bureaucratie". Simitis, K. (1978), "Les Partis Politiques Grecs Face à l' Adhésion". Paper presented in the conference, *"La Grèce et la Communauté"*. Organised by the Institut d' Études Européennes, 5-6 May 1977 in Brussels. Proceedings were published by the University of Brussels. (In French) p. 63.

<sup>45</sup> On "positive integration" See Knill, Ch. and Lenschow, A. (1998), "Change as "Appropriate Adaptation": Administrative Adjustment to European Environmental Policy in Britain and Germany" European Integration on Line Papers, EIOP <http://eiop.or.at/eiop/texte/1998-001a.htm>

<sup>46</sup> KYRIAKATIKI "E", Sunday paper, 16 July 1978. It is interesting to compare this statement with Haas's description of Europeanism as a doctrine. There are striking affinities between his description and the one cited above. See Haas, B. E., (1958), *"The Uniting of Europe. Political, Social, and Economical Forces 1950-1957"*. London, Stevens & Sons Limited, pp. 19-29.

- *Panellenic Socialist Movement (PASOK)*

The anti-European tendency of the 1970s was represented mainly and predominantly by PASOK, founded by Andreas Papandreou, who also returned from abroad in 1974. Understanding the attitude of the early PASOK towards the Community and its development will shed light to some important aspects of the reforming process in the European context. These aspects are related to the internal organisation of the party.

PASOK Proclamation of Fundamental Principles of the 3 September 1974 is seen as setting the framework for the synthesis among the various ideological currents incorporated in it.<sup>47</sup> The *technocratic* tendency, represented mainly by academics and centre-right intellectuals, the *socialists*, consisting mainly in members of the left and leftist resistance organisations formed during the dictatorship, the *conformists*, or the so called 'palaiokomatikoi', mainly old style politicians attached to traditional ideas and practices. In the beginning, the technocratic wing was rather weak. Its profile was raised after the 1977 elections, when PASOK became the main Opposition party. All the above tendencies recognised in the Proclamation of 3<sup>rd</sup> September (as has been known ever since the Proclamation of Fundamental Principles), those elements that matched more or less their own ideology. For example, the Proclamation referred among others to the modernisation of public administration, while it also announced legal reforms in a large number of sectors, which attached to it a technocratic dimension, thus responding to the technocrats' aspirations.<sup>48</sup>

Nonetheless, the real unifying component was nationalism.<sup>49</sup> The seven-year military regime and the Cyprus crisis were attributed to NATO and the

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<sup>47</sup> Spourdalakis, M. (1988), *"PASOK, Structure, intra - party crises and concentration of power"*. Athens, EXANTAS. p. 89.

<sup>48</sup> *Ibid*, pp. 90-91. Andreas Papandreou's high academic profile was also appreciated by the technocrats. *Ibid*, p. 93.

<sup>49</sup> *Ibid*, p. 91.



USA: *"For the Panellinio Socialistiko Kinima (PASOK), the military regime of the junta, which was imposed by the coup of 21 April, was no more than a particularly brutal manifestation of the colonisation of Greece by the Pentagon and Nato, in co-operation with dependent West European and native comprador capital".*<sup>50</sup> In addition, the slogan "Greece belongs to the Greeks" included in the Proclamation, in contradiction to the Right-wing dictum "We belong to the West", was meant to capitalise on the nationalistic resurgence of the times.<sup>51</sup>

Soon, there was a deliberate semantic linkage between USA and the Community, of which characteristic example is the slogan *"EEC and NATO - the same syndicate"*. Papandreou's statements are also characteristic: *"Western Europe is the intermediate ring in the structure of control exerted by the American capital on Southern Europe... The economic control has always a political and military dimension. Britain and West Germany are under almost complete political and military control and their foreign policy is also dictated by Washington"*.<sup>52</sup>

This line of reasoning developed in total contradistinction to the principles of the ruling ND party, aimed precisely at differentiating PASOK from the Right, with view to winning it a large part of the electorate driven by anti-western feelings, and create a hard party organisational nucleus.<sup>53</sup>

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<sup>50</sup> PASOK: Proclamation of Fundamental Principles and Objectives (Declaration of 3 September 1974). In Clogg, R. (1987), *supra*, p. 220. Also, *"The root of the disaster lies in the dependent situation of our Motherland. The seven medieval years that have passed with the black military dictatorship constitute no more than an especially harsh expression of the dependence of Greece on the imperialistic establishment of the USA and of NATO.... Our Motherland was transformed into an unfenced vineyard, so that our economy could be plundered by the multinational companies of the United States of America and of the West..."* PASOK: Proclamation of the Fundamental Principles and Objectives (Declaration of 3 September 1974). In Clogg, R. (1987), *supra*, p. 217.

<sup>51</sup> Spourdalakis, M. (1988), *supra*, p. 91.

<sup>52</sup> A. Papandreou's speech in a meeting of the Central Committee of PASOK, on 13 April 1975, quoted in Katsoudas, D. (1993), *"PASOK and the European EU: an overview"*. EPIKENTRA, No 75, pp. 51-66.

<sup>53</sup> Papandreou refuted Karamanlis's famous slogan *"We belong to the West"*, characterising it as a *"metaphysical concept"*. Interview of A. Papandreou to EXORMISI, PASOK's official paper, 16.4.1976. Quoted in Katsoudas, D. (1993), *ibid*.

The election of 1977 placed PASOK in the position of the leading Opposition party, while the centre EDIK, was disintegrated, with some of its parts defecting to the ND, while others being absorbed by PASOK. The latter's success and the prospect of power marked the beginning of a new phase as regards its stance towards the community. In order to attract additional numbers of the moderate, pro-European voters of the disintegrating EDIK, the hard anti-European party was softened. Very carefully, and very slowly Papandreou's language started changing. In order to avoid the impression of inconsistency a double talk was adopted. Instead of total rejection of the Community, there were now references to "re-negotiation", "special relationship", "special regime", which all meant that PASOK had departed from its initial position.<sup>54</sup>

During the electoral period of 1981, on the one hand Papandreou declared that after the elections and his accession to power, the already ratified Treaty of Accession of Greece would be subject to a referendum while on the other he kept reminding the people that according to the Constitution this is a prerogative of the President of the Republic. It was clear that with Karamanlis as a President, (Karamanlis had become President meanwhile) the odds were against a referendum. Again this was a double talk: the reference to a referendum was aiming at keeping up with the appearances, while by reminding at the same time that this was a Presidential prerogative, Papandreou was admitting that it was not likely to occur. In short, this was simply an electoral firework.<sup>55</sup>

PASOK's ambivalent stance to the Community continued after it acceded to power in 1981, overall however it was getting smoother. A number of international and domestic factors favoured this development, the emerging economic advantages of membership being the most obvious, especially at a

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<sup>54</sup> *Ibid.*

<sup>55</sup> Spourdalakis, M. (1988), *supra*. Katsoudas, D. (1993), *supra*.

time when domestic resources were depleted and Greece was experiencing economic stagnation.<sup>56</sup>

Interestingly enough, parallel to the evolution of PASOK's attitude towards the Community, there has been a development in the balance power within the party. As already noted above, the technocratic wing of PASOK was in the beginning weak in comparison to the *conformists, old style* politicians. The advent of PASOK to power, the awareness of the benefits of membership, and subsequently the fact that European funding was indispensable for the economic survival of the country brought into relief the need of efficient management. In short, the emphasis was from now on not on the *political* so much as on the *economic* factor. It was therefore precisely the needs arising from membership that signalled on the one hand PASOK's slow departure from its anti European policies, and on the other the equally slow rise of the modernising technocratic wing's to power in the party's organisation.<sup>57</sup>

This movement was led by K. Simitis and constituted in fact somewhat of an Opposition within the party. Simitis was working with a number of technocrats patiently towards the modernisation of the party apparatus, which he deemed necessary for the modernisation of the State and Society in the light of Greece's European and international commitments. In fact, he and those around him saw in European integration process the external impetus required for the reform of the State and society. Before proceeding to the discussion of the final form this movement assumed, it is useful to trace its origins.

As already noted, there were in post war Greece groups and strata aspiring to institutional reforms that would enhance progress in economic, social and political terms, with emphasis on the rationalisation of the state

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<sup>56</sup> A meticulous analysis of PASOK's anti-Europeanism is offered in Katsoudas, D. (1993), *supra*.

<sup>57</sup> Interview with Prof. Makrydimitris, University of Athens, October 2001.

apparatus.<sup>58</sup> These aspirations were similar in nature to those of the rising bourgeoisies in the 19<sup>th</sup> century in West Europe, who sought the institutional framework proper to the new economic and socio-political developments of the times.

In the 1960s, these aspirations found expression in the emergence of the so called "Alexandros Papanastassiou Association", a political-ideological movement created by a group of politicians and intellectuals, who were not ideologically affiliated to either the philo-Soviet Stalinist Left, or the authoritarian Right Wing. K. Simitis, the current PM was one of the founders of the movement. They believed that the existing political formations were dominated by traditional ideas and practices<sup>59</sup>, and therefore, could not possibly bring about the long desired "transition to modernity" or the "renovation" of the Greek society and State.<sup>60</sup> This does not mean that these parties did not comprise modernising tendencies. These did exist, their viability though as internal party oppositions or as possible separate political formations was rather limited. The "Alexandros Papanastassiou Association" was in touch and exchanged views with these forces within the Left and the Right. It was also in touch with A. Papandreou at a time when he was almost unknown in Greek politics.

Their approach to modernisation was similar to that of the Social Democrats in Europe, but the term was not used. Their ideological doctrine crystallised in a liberalism of Anglo-Saxon type, similar to the one developed in the 19<sup>th</sup> century Europe. There was a differentiation though in that the paradigm elaborated by the Papanastassiou Association had in addition a "social

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<sup>58</sup> This section draws largely on information provided by Dr. V. Voutsakis, Special Councilor to the Prime Minister, and Vice President of the "Association for the Modernisation of our Society" (OPEK). Interview, December 1998.

<sup>59</sup> On the various tendencies within the political parties see Clogg, R. (1987), *"Parties and elections in Greece: the search for legitimacy"* London, C. Hurst.

<sup>60</sup> Interview with Dr. V. Voutsakis, December 1998.

face". It could be referred to as "social liberalism".<sup>61</sup> However, the term Social Democracy was avoided because it was much too closely related to the existing socio-political model prevalent in the West at those times, which was already seriously challenged. (The '68 Movement for instance).<sup>62</sup>

During the dictatorship, members of the "Alexandros Papanastassiou Association" joined the various left or leftist resistance groups, and established contact with A. Papandreou. After 1974 they joined him in the newly born Panellenic Socialist Movement (PASOK). In 1975, in the context of a crisis in the party organisation as a result of which the 'palaiokommatikoi' advanced their position while there was a shift towards concentration of power, members of the modernising technocratic wing left PASOK, and a number of them came back later. This turmoil is indicative of the rather unhappy coexistence of various ideological tendencies within PASOK.<sup>63</sup> Apart from other ideological differences, one important parameter was the pro European stance of the technocratic wing, as opposed to the anti European attitude of the others, especially the old style politicians. The former espoused the European Social Democrat solution, and also saw in Greece's membership in EEC, the means to materialise State and societal reform. These views caused a major clash within PASOK.<sup>64</sup>

In 1977, K. Simitis as responsible for political instruction, he launched what remained in history as one of the most controversial slogans: "No to the Europe of Monopolies, Yes to the Europe of Workers". This declaration was in reality the concise, epigrammatic manifesto of the technocratic wing of the

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<sup>61</sup> *Ibid.*

<sup>62</sup> *Ibid.*

<sup>62</sup> *Ibid.*

<sup>63</sup> See Spourdalakis, M. (1988), *supra*.

<sup>64</sup> Interview with Dr. V. Voutsakis, December 1998.



party, regarding in particular the group's stance to the Community i.e. a pro European social democrat proposal. It was also saying at the same time that after all, there was or could be a good Europe. This diverged from the party's official position and policy regarding EU and membership and as a result it cost K. Simitis his post. However, he did not leave the party, believing that the battle could be won from the inside.<sup>65</sup> In 1981 when PASOK's advented to power, it was forced to accept the value of the technocrats because of the need for a better management of the Community financial transfers, and K. Simitis became Minister of Agriculture.<sup>66</sup>

- *The Association for the Modernisation of the Society (OPEK).*

PASOK's performance in the 1980s was disappointing in many respects. Firstly, there was reinforcement of the phenomenon of statism in the already huge and authoritarian state apparatus. Moreover, there was further concentration of power not merely by reinforcement of the Executive vis-à-vis the Parliament, but with continuous empowerment of the Prime Minister, which involved also personification of power, while there was also exclusion of certain sectors from democratic scrutiny.<sup>67</sup>

Clientelism acquired huge dimensions with the entry of large numbers of party followers in the public sector. Membership of the party became largely a prerequisite for employment. As pointed out, during the first couple of years of PASOK's office in government, the Greek State experienced "*the most extensive*

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<sup>65</sup> *Ibid.*

<sup>66</sup> *Ibid.* See also Spourdalakis, M. (1988), *supra*, pp. 240-244.

<sup>67</sup> Spourdalakis, M. (1988), *supra*, p. 307.

*mass clientelist employment in its history*".<sup>68</sup> It is characteristic that 89% of the party members were somehow related to the public sector.<sup>69</sup>

Moreover, at the end of the decade a corruption scandal discredited PASOK administration in popular consciousness. This, in connection to the general image of governmental inefficiency cost PASOK the power. The Association for the Modernisation of Society, (OPEK)<sup>70</sup> a think tank created by K. Simitis and his political associates in 1991, should be seen precisely as the response to the need to change the image of PASOK from a corrupted, inefficient party, into an efficient, reliable, democratic party, capable among others of meeting successfully the needs of European integration, in particular regarding the application of the Community Support Frameworks.<sup>71</sup>

It is not accidental then that OPEK was founded in 1991, while PASOK was not in power any more. Party members but also intellectuals, mainly academics, joined it and it is characteristic that some of them were not even politically affiliated to PASOK. It has been argued that in the beginning OPEK's orientations seemed to be genuinely reformist and therefore those elements among the intellectual élites aspiring to modernisation did not hesitate to join even though they did not belong to PASOK.<sup>72</sup>

Although research in this area is almost non-existent, and it is beyond the scope of the study here, it seems that right from the beginning, two distinct logics could be identified within OPEK: one that recognised the need of an efficient, reliable party with view to attracting voters and ensuring access to

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<sup>68</sup> *Ibid.* p. 314.

<sup>69</sup> *Ibid.* p. 314.

<sup>70</sup> Although OPEK is perhaps the most important, there are other similar think-tanks such as "Civil Society". Their discussion here is beyond the scope of this study.

<sup>71</sup> Interview with Professor M. Spourdalakis, University of Athens, October 2001

<sup>72</sup> Interview with Prof. A. Makrydimitris, University of Athens, October 2001.

power. In other words, the need to address the increasing apathy of the electorate discussed in an earlier section in this chapter. The other, less self-interested, accepting that there should be at last a new strategy as a response to European integration and the international developments.<sup>73</sup> Apparently, non-party members were attracted by this latter logic.

Indeed, as revealed in the title of the Association their goal was to promote the reform of the Greek State and society. They moreover considered the country's integration into Europe as the impetus and the proper context for this reform. More specifically, *"it was thought that political and economic structures of the country should take a European orientation, retaining however their Greek identity"*<sup>74</sup>.

OPEK became pre-occupied with the issue of cultural embeddedness far more concretely than the Europeanists of the 1970s, and formulated an equally concrete approach to the issue of resistance of the institutions to reforms. Another characteristic of the movement is that while it clearly and admittedly sees in European integration the required external stimulus for State and societal reform, it has avoided connecting the vision of the reform uniquely to Europe as the Europeanists of the 1970s.

Although OPEK's approach in particular and the Modernisers more generally has not assumed the status of a theory as such, there is a limited number of articles and books describing the process of the reformist attempt and the ensuing issues, while a number of interviews helped to complete the

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<sup>73</sup> Interview with Professor M. Spourdalakis. One more point needs to be made here. The connection between modernisation of the country on the one hand and European Integration on the other took place gradually. The turning point in this development i.e. the association of the country's modernisation to European integration seems to have occurred after 1989, when PASOK abandoned its Keynesian politics for a more capitalist-liberal oriented policy. It was then, that resistance to new policies and practices following adoption of the new socio-economic approach grew considerably, making it difficult for the government to carry out successfully its modernising programme.

<sup>74</sup> Interview with Prof. D. Papoulias, University of Athens, President of OPEK, October 1998.

profile of their proposal regarding the reforming process. Their understanding of the process of modernisation as emerging from interviews and articles is outlined by the following parameters:

a) Greece's integration to the Community and the process of Europeanisation are connected and often identified with the country's "transition to modernity". Principal agents of the movement have stressed the fact that European integration acts as the external stimulus for the reform of the Greek State and society.<sup>75</sup>

b) The role of cultural embeddedness is seriously considered. It is recognised that major reforms cause strong reaction, because actors are requested to abandon behavioural patterns consolidated as a result of repetition over a long time period: *«Societies are not laboratories where certain variables are altered and then the results are examined. ... human behaviour expresses some historically moulded mentalities and values. As a result any reformist attempt is not simply trying to change behaviours, but is inevitably interwoven with the way individuals understand themselves and their roles. It is because of this that serious difficulties arise in the context of any reformist plan»*.<sup>76</sup> Systems therefore are self-referential and as such tend to reproduce themselves. Consequently, *"it takes an outsider, one with legitimate authority and a radical agenda to shake up the system and introduce an alternative set of self understandings"*.<sup>77</sup>

c) Furthermore, as discussed in an earlier section of this chapter, the distributional foundations of resistance to reform are acknowledged. The traditional ways of integration at the national level, i.e. distribution of resources

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<sup>75</sup> Indicatively, the President of OPEK, and officials of the Ministries of YPETHO and YPESDDA have all stated that European integration represents the last chance for Greece's modernisation.

<sup>76</sup> Papoulas, D. and Tsoukas, Ch., (1999), *"Special edition – A different perspective of the issue"*. TO VIMA, Sunday paper, 28.2.1999.

<sup>77</sup> Papoulas, D. and Tsoukas, T. (1996) *"Understanding Social Reforms: A Conceptual Analysis"*, in JOURNAL OF THE OPERATIONAL RESEARCH SOCIETY, No 47, pp. 853-863.

via clientelist networks and a type of idiosyncratic party-dominated corporatism are being replaced by new rational mechanisms in the process of integration. The non-implementation of Community Regulations comes as a result of the resistance of actors whose economic and other interests are jeopardised in the light of the reforms. In that sense, resistance to change is *"the expression of the existential anguish of large social strata of the Greek society, which with the perspective of this new logic of an open system are faced with issues of existence and survival"*<sup>78</sup>.

Summing up, for the Modernisers distributional considerations on the one hand, and traditional patterns of interest aggregation and articulation, i.e. the cultural factor on the other, together constitute the core element of political and administrative practices in Greece and it takes an external, *"legitimate authority"* to challenge this complex.

The Modernisers therefore, have correctly located all the major issues arising in the reforming process. Regarding the issue of legitimacy in particular, they are aware that the reforming ideal should be embraced by the wider strata and become a popular cause.<sup>79</sup> Their proposals as to how self-understandings change, i.e. how value systems change, and how the legitimacy question is tackled, place emphasis on the role of élites and institutions. In the first place, State reform is seen against a more general societal reform. A special role is acknowledged to the élites, as in the neo-functionalist theory. It is expected that those who are to benefit from the *new logic*, i.e. those that are qualified enough to fulfil the requirements of integration, *"...will support and promote this logic and will act as its ideological and political bearers"*.<sup>80</sup>

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<sup>78</sup> Diamandouros, N. (1996) *supra*, p. 204.

<sup>79</sup> Interview with Prof. D. Papoulias, University of Athens, President of OPEK, October 1998.

<sup>80</sup> Diamandouros, N. (1996), *supra*, pp. 201-207.



A change in culture, which although retaining its *Greekness* should espouse new societal and political norms and values is possible by means of new institutions: "...culture is a product of every day practices, tactics, and strategies. A certain behavioural pattern when repeated crystallises and becomes a reforming logic. You can achieve this, by establishing new institutions, which function following new norms, and they finally manage to induce new values and procedures. This is how new values are made, and how reforms occur"<sup>81</sup>. Subsequently, the new values are expected to be diffused to administrators and social strata through everyday application of new rules of conduct and interaction, and thus change self-understandings and render the reform a legitimate cause, all in close doctrinal affinity with the neo-functionalist "spill-over".

However, despite the formulation of a concrete approach to the process of reform springing from the awareness of the role of culture and institutions, the application of this approach proved problematic and produced poor results. In later articles, the failure of the reforming effort has been attributed to two major factors: **a)** the fact that on the part of the government there have been inconsistencies as regards the application of the underlying principles, and this has undermined the Modernisers' reliability and hence the legitimacy of the reformist effort.<sup>82</sup> **b)** The fact that the carriers of the reformist culture are outnumbered by those attached to the traditional value system which has been recognised as another crucial factor in the failure of the reforming attempt.<sup>83</sup>

There is one more development, directly connected to and illustrative of the above factors that carries even further the institutionalist argument of "challenged opportunity structures" and cultural embeddedness. Three elements need to be recalled in the context of the argument deployed here: **a)** PASOK's

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<sup>81</sup> Interview with Prof. N. Diamandouros, Spring 1998.

<sup>82</sup> It has been pointed out that this is an important factor in a reforming process. See: Papoulias, D. and Tsoukas, Ch., (1999), "Special edition - A different perspective of the issue". *TO VIMA*, Sunday paper, 28.2.1999.

<sup>83</sup> Interview with Prof. N. Diamandouros, Spring 1998.

party organisation, characterised by the coexistence of different tendencies, and the prevalence of the traditional or old-style politicians. **b)** The rise of OPEK within PASOK in an effort to redress governmental inefficiency resulting from traditional politics and practices. **c)** The existence of two different logics within OPEK itself. It is argued here that it is precisely the dynamics of this dualism in logic that determined the evolution of this think tank. More precisely, there is evidence supporting the argument according to which, those within OPEK that regarded it as a means to attract voters and gain power prevailed over the more idealist reformist wing. It is characteristic that those members coming from different political formations left the movement. It has been argued that this happened after they realised that OPEK had become merely a recruitment pole.<sup>84</sup>

Further evidence is provided by the fact that during the campaign of the 1999 general election, several OPEK branches sprang in an effort to attract voters with modernising aspirations. In other words, it seems that OPEK, its branches and their counterparts,<sup>85</sup> act as substitutes for the political parties, i.e. the traditional institutions of political representation.<sup>86</sup>

It is argued here that the assimilation of OPEK by the party machine of PASOK and its metabolism into a recruitment pole supports the argument according to which, challenged power structures react by assimilating the new institutions. However, the issue is not simply that OPEK has been transformed into a recruitment pole. It could still have remained an advocate of innovative ideas and a force of modernisation. The crucial development lies in the fact that it has espoused traditional political practices, i.e. the very practices it was supposed to eradicate from the Greek society and State. This is the reason why

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<sup>84</sup> Interview with Prof. A. Makrydimitris, University of Athens, October 2001.

<sup>85</sup> As note before (current chapter footnote 70), discussion of other similar think tanks is beyond the scope of this study.

<sup>86</sup> Interview with Prof. M. Spourdalakis, University of Athens, October 2001.

the “Modernisers” have been discredited in popular consciousness, to the point that the term has acquired a pejorative content. Again, PASOK political actors with a truly reforming logic are not necessarily attached to the so-called modernising wing of the party.

It is not surprising then that the reform in general and in the European context in particular had a disappointing outcome. As argued in the introduction of this chapter, party organisation and ideology influence party policies and these in turn impact upon governmental policies and their application.<sup>87</sup>

### *A theoretical framework*

So far, it has been shown that the institutional reforms introduced in 1988 aimed mainly at empowering the Regions towards the goal of economic and social cohesion. This has been conceptualised by the Commission as a change in decision making, which was until the 1980s limited in the interaction between the *national governments* on the one hand and the *supranational institutions* on the other. These changes, by introducing (an) additional level(s) of governance as interlocutors and partners in decision-making involved in turn changes in the balance of power at the *national level*, as existing domestic administrative arrangements had to adapt when incompatible with the introduced new rules of procedure.

These two elements i.e. departure from the two-party interaction in decision making process on the one hand, and the degree of adaptability of the domestic systems on the other have shifted the focus of scholarly concern to changes occurring at the national level, and subsequently the need to develop approaches that can interpret interaction and change of relations among

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<sup>87</sup> See also footnote 82 in this chapter, the relevant comments.

domestic actors. The two main streams of thought developed to explain European integration process, i.e. supranational theories mainly represented by neo-functionalism and state-centric approaches of which inter-governmentalism is the most prominent are preoccupied with the interaction between supra-national institutions on the one hand and national governments on the other. As such they fail to consider sub-national tiers of government and their role and development in the process of integration.

It should be stressed though, that both the intergovernmental approach stressing the centrality of national institutions in European policy-making, and the supra-national argument of the influence of supranational institutions are valid, and as such remained part of Multi-level governance (MLG) approaches. These have focused on the emergence of the third level of governance in the European decision-making process, and in doing so have summoned departure from state-centric and supranational explanations. Transcending the rather over-optimistic view of the rise of a '*Europe of the Regions*' expected to result from the weakening of national governments and the parallel empowerment of the Regions, studies have turned to more sophisticated approaches.

Research in the context of this thesis has shown both the importance of the Commission as a supranational actor as well as the centrality of national institutions. Therefore, any attempt to interpret the impact of the application of the two CSFs, on domestic administrative structures and practices, has to consider these two dimensions. MLG arguments do highlight the role of the Commission in sub-national mobilisation, examining the interplay between the Community level on the one hand and the central state on the other.<sup>88</sup> Some works within the MLG approach in this context go even further to investigate

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<sup>88</sup> See among others, Marks, G. (1992), "*Structural Policy in the European Community*", in Sbragia, A. M. (Ed.), *Euro-Politics. Institutions and Policy-making in the "New Europe"*. Washington, The Brookings Institute.

the intra-state factors in the process of sub-national mobilisation.<sup>89</sup> However, the findings of the empirical research here suggest that a MLG approach should be complemented by elements of the institutionalist theory, which places emphasis on the cultural and distributional determinants in the process of the reform.

- *New Institutionalism*

New institutionalism comprises basically three different approaches, which share the view that institutions are essential in the interpretation of social and political phenomena. However, there is in each of them an internal debate and differentiation while the theory as a whole is in constant evolution, apparently as a result of new findings in the empirical research.<sup>90</sup> Very briefly, the basic elements of the three different institutionalist approaches can be summarised as follows:

*Rational choice institutionalism*, places emphasis on individuals and their strategic calculations. More specifically, it is argued that “institutions are created by utility maximising individuals with clear intentions. Yet once institutions exist they set parameters for further action”<sup>91</sup>. Significantly for the study of the Greek administrative system’s adaptation, the old concept of the distributive role of institutions has been further elaborated by rational choice institutionalism. More specifically, it is argued that any interpretation of the development of

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<sup>89</sup> Jeffery, Ch. (2000), “Sub-National Mobilisation and European Integration: Does it make Any Difference?”, JCMS, Vol. 38, No 1, pp. 1-23.

<sup>90</sup> On a concise presentation of the three new institutionalist approaches see Hall, P. A. and Taylor, R. C. R. (1996), “Political Science and the Three Institutionalisms”, POLITICAL STUDIES, XLIV, 936-957.

<sup>91</sup> Koelble, T. A. (1995), «The New Institutionalism in Political Science and Sociology». COMPARATIVE POLITICS, January 1995, pp. 231-243.



institutions should take into consideration the distributive effects that this development implies, and therefore the conflict that originates in this change.<sup>92</sup>

This approach then stresses the role of the individuals and their decisions, vis-à-vis the institutions, while at the same time recognises their dynamic influence once they are created. This argument very much like the Greek Modernisers' idea of reform cannot offer an explanation for the poor results of the reforms in Greece. On the other hand, the proposal regarding the distributive effects of changes in institutions is extremely useful and even necessary for the understanding of administrative resistance to reform in Greece.

*Historical institutionalism* shares the views of the *sociological approach*<sup>93</sup> regarding limited rationality and information, but goes still further to argue that conventions and customs are also very important, because individuals are embedded in culture, which is why most of them cannot even conceive of alternative institutional arrangements, or *ways of doing things*. In contrast to rational choice, it is the institutions that shape and determine human behaviour. What is though most interesting in this approach is the concept of *appropriateness*, as a criterion for the response of the actors to the introduction of new rules. This concept suggests that a new rule introduced will be applied or not, according to the degree of appropriateness to the existing institutions which is in turn determined by the learned rules and procedures that once established and followed became a certain logic.<sup>94</sup>

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<sup>92</sup> See Knight, J. (1994), *"Institutions and Social Conflict"*, Cambridge, Cambridge University Press. pp. 13-14. Also, Christensen, J. G.: *"Interpreting Administrative Change: Bureaucratic Self – Interest and Institutional Inheritance in Government"*. GOVERNANCE, Vol. 10, No 2, April 1997, pp. 143-174.

<sup>93</sup> For a discussion of the sociological institutionalism see, DiMaggio, P. J. and Powell, W. W. (Eds) (1991), *"The New Institutionalism in Organisational analysis"*, Chicago, University of Chicago Press

<sup>94</sup> See, March, J. G. and Olsen, J. P. (1989), *"Rediscovering Institutions"*, New York, Toronto, The Free Press.

Applied in the Greek case, the notion of appropriateness helps to interpret the response of the domestic system to the reforms introduced during the application of the two CSFs. The empirical research has shown that there has been a very slow change in national regional policy process, and the reason has been located precisely in lack of suitability between the newly introduced institutions on the one hand and the traditional ones on the other. Rules and procedures long established and consolidated over time, and crystallised in a certain logic persisted throughout the two programming periods, hindering successful adaptation to the new operational tools.

However, the notion of appropriateness is only the initial step in the effort to interpret the low degree of domestic institutional adaptation. It suggests that *"administrative adaptation depends on the 'goodness of the fit' between European policy requirements and existing national structures and procedures"*<sup>95</sup>, stressing the incompatibility between the new and the old institutions, and therefore pointing to the need of further interpretation as to the nature of this incompatibility. Research findings of the current project clearly showed that it is the distributional dimensions of the reforms that account for low adaptability of the domestic system.

More specifically, and as shown in Chapter Two, regional policy process in Greece has been directly connected to the preservation of the centralised clientelist State. Resource and power distribution in this process occurs according to criteria other than effectiveness and efficiency, as well as beyond developmental considerations. Vested interests of administrative and political personnel as well as private actors mainly contractors and engineers, are served in the context of traditional institutions the function of which follows a certain logic. This logic contradicts that of the institutions introduced with the

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<sup>95</sup> See, Knill Ch. and Lenschow A., (1998), *"Change as 'Appropriate Adaptation': Administrative Adjustment to European Environmental Policy in Britain and Germany"* EIOP, URL: <http://eiop.or.at/eiop/texte/1998-001a.htm>

application of the Community Regional Policy. Adoption of the rationalised operational tools entails destruction of the traditional edifice of resource and power distribution. Consequently, the case of Greece suggests that the durability of the domestic system should be attributed not so much to the common bureaucratic *security dilemma*, as to distributional considerations.

There are two distinct nonetheless interconnected distributional scopes associated with resistance. One of them, already mentioned above is related to the vested interests of the political and administrative personnel and of private actors. The main goal of the above groups in retaining the existing status quo in resource allocation for regional policies is the maximisation of their profits. On the other hand, in depth analysis of the role of regional development resource allocation has shown the manipulation of LGO by the political parties in accessing power, as well as utilisation of resource allocation mechanisms for local development along clientelist lines and for electoral purposes. It has further been shown how the decentralisation reforms have resulted merely in a mutation of the existing clientelist system, as it absorbed and metabolised the new institutions, and shifted the level of clientelist network formations from the Prefectures to the Regions due to the management of the Community funds by the latter.<sup>96</sup>

In this context, due to the intricate nexus between individual vested interests on the one hand and centre - periphery relations and electoral considerations on the other, all in the context of clientelist networks, resistance to reform is not simply a case of bureaucratic obstruction due to self-interest and security dilemmas. It is the effort to preserve the existing opportunity structures, and more specifically, the maintenance of the centralised state, through control of European resource allocation for regional development. There is an abundance of evidence brought in by interviewees at all levels, which points to the use of European resources in a way that reproduces the

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<sup>96</sup> Christofilopoulou - Kaler, P. (1996), *"Prefectoral Administration..."* *supra*.

existing pattern, i.e., central distribution of the funds, and control of the local government organisations along clientelist networks.

The clientelist mode of resource allocation in regional development policies however, is a complex one. It contains ideological elements, such as perceptions of social justice, and in this case, the regional dimension of social justice. It is argued here, that clientelism is both a way of action, a "*rational choice*", and a *moral code, an ideology*. This latter attribute makes clientelism "ideologically rooted" in the Greek public policy-making paradigm. Resource allocation to local government along clientelist networks is not serving only practical electoral considerations. Inherent though less decisive in this mode of action is the element of the "moral" bond between the patrons and the clients as discussed in Chapter Two, which also influences the notion of the regional dimension of "justice". This combination of a "way of action" and of a "moral code" renders this pattern a "core" element of Greek regional policy process.<sup>97</sup>

In view of the above discussion, two elements are important for the interpretation of resistance to change in Greece: **a)** the distributive function of the institutions, and **b)** the centrality of this element in the preservation of the centralised State in Greece. As correctly pointed out, *"resource dependency needs to be embedded in an institutionalist understanding of Europeanisation... domestic institutions determine the distribution of resources among domestic actors... Europeanisation changes this distribution to the extent that there is an incompatibility between the European rules and regulations, on the one hand, and the institutional structures of the State, on the other"*.<sup>98</sup>

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<sup>97</sup> On the concept of "core" and "peripheral parts" of administrative institutions, see: Knill, C. and Lenschow, A. (1998), *supra*.

<sup>98</sup> Borzel, T. (1999), *"Towards convergence in Europe? Institutional Adaptation to Europeanisation in Germany and Spain"*. JCMS, Vol. 37, No. 4, pp. 573-596. Other studies have shown along the same line of thought that Europeanisation does not necessarily bring about changes in Member-States. See among others, Goetz, K.H. (2000), *"European Integration and National Executives: A Cause in Search of an Effect?"* WEST EUROPEAN POLITICS, Vol. 23,, No. 4. pp. 211-231. Furthermore, it is noted by institutionalist studies that *"the institutional legacy ... is important in several ways: first, it embeds vested interests bound to institutional and organisational*



As regards the relation between the centrality of the challenged elements of domestic policy process on the one hand and the degree of domestic resistance on the other, it has been pointed out that *"well established institutions and traditions not easily adapt to exogenous pressures"*.<sup>99</sup> The introduction of new rules in the Greek regional policy making as a response to the pressures of European integration, and persistence of traditional patterns highlight the validity of this argument.

There are additional reasons why an institutionalist approach can offer a satisfactory explanation of the reforming process in Greece. The distinction between organisations on the one hand and institutions on the other, and the cohabitation of formal with informal institutions help to shed light to all the parameters in the difficulty of the Greek administrative system to adapt.

More specifically, according to D. C. North, organisations *"provide a structure to human interaction... they are groups of individuals bound by some common purpose to achieve objectives"*.<sup>100</sup> On the other hand *"institutions include any form of constraint that human beings devise to shape human interaction"*<sup>101</sup>, they are *"the rules of the game..."*.<sup>102</sup> Significantly, he points out that institutions can be formal, i.e. written, or informal i.e. unwritten behavioural codes underlying and holding a subsidiary role to the formal ones. While formal institutions

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choices of the past. Second, it accounts for the continuity and inertia characterising governmental organisation. Third it explains variations in solutions to identical organisational problems between different countries that frequently have very similar policy-making and administrative institutions Thelen, K. and Steinmo, S.: *"Structuring Politics"*. New York, Cambridge University Press, 1992, quoted in Christensen, J. G.: *"Interpreting Administrative..."* *supra*. On the changing distribution of power and resources see also, Knill, Ch. and Lehmkuhl, D. (1999), *"How Europe Matters. Different Mechanisms of Europeanisation"*. EUROPEAN INTEGRATION ON LINE PAPERS, Vol. 3, No 7. URL: <http://eiop.or.at/eiop/texte/1999-007a.htm>

<sup>99</sup> Knill, C. and Lenschow, A. (1998), *supra*.

<sup>100</sup> North, D. C. (1994), *"Institutions, Institutional Change and Economic Performance"*. New York, Cambridge University Press.

<sup>101</sup> *Ibid*, p. 4.

<sup>102</sup> *Ibid*.



*"may change overnight as a result of political or judicial decisions, informal constraints embodied in customs, traditions, and codes of conduct are much more impervious to deliberate policies"*<sup>103</sup> Thus, North clearly distinguishes between institutions on the one hand and organisations on the other. This differentiation between institutions and organisations, and formal and informal institutions and the allotment of distinct functions in each of them is of special value in the analysis attempted here for the following reasons:

a) reforms undertaken in the process of Europeanisation in Greece involve both new organisations as well as new institutions introduced either along with the new organisations or in already existing organisations, with view to alter the "rules of the game".

b) The tenacity of informal rules as opposed to formal ones in Greece is an old problem as discussed in Chapter Two. This pattern was repeated during application of the CSFs.

Finally an important remark should be made: the distributional dimension of domestic resistance as outlined in the institutionalist approach is appropriate to the description of the reforming capacity of the Greek society. As pointed out before in this chapter, owing to the peculiar economic development, the prevalent attitude is that of a class characterised by *"ideological disorientation, a sense of loss of values a 'guild-type' mentality ...the crass materialism..."* It was more over noted that because of this, the relation between the State and the society is not ideologically defined but on the basis of particularist interests. Consequently, it was argued, the main issue in Greek politics is the maintenance of the existing social relations, or *"rather the fact that no one is seeking to alter them"*. The fact that clientelism was found above to contain ideological elements is not contradicting this argument, on the contrary it supports it, as clientelist 'ideology' should not be understood in classical

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<sup>103</sup> *Ibid*, p. 6.

terms, especially in light of the ideological convergence and lack of real cleavages between the political parties also discussed above. In other words, clientelist relations are defined along the lines of a socialist or liberal ideology only in a superficial manner, and focus rather on materialist distributional aspects and the power structures attached to them, which become the appropriate way of political and social integration, i.e. an 'ideology' in itself. This is the reason why the self reforming and thus self-regulatory capacity of the Greek society is impaired.

One more point should be made: empirical research and in particular the case study has revealed the significance of personalities in the reforming process. Therefore, three factors should be considered for the interpretation of the domestic response in the process of Europeanisation here: opportunity structures as rooted in culture, the common security dilemma, and the role of individual actors in the reforming process.

### Summary

The European argument was in the beginning mainly connected to economic and foreign policy considerations. In the 1970s it entered domestic political debate as a line of division between political parties and was used as a recruitment pole. On the other hand, it was also connected to the old vision of modernisation of the Greek State and society. In the 1990s the crisis of the political parties led to the creation of reforming movements within the parties of which the most important is the Association for the Modernisation of the Society (OPEK), initially affiliated to PASOK but attracting members from other political formations. There have been two distinct logics and tendencies within OPEK, one associated with electoral considerations and another aspiring to the modernisation especially in light of European integration. Finally, OPEK was absorbed and metabolised into a recruitment pole.

This development is illustrative of the wider issue of low self-reforming capacity of the Greek society. Social strata arising as a result of peculiar models of economic development are characterised by ideological confusion and an emphasis on materialism. This in connection to the fact that social interests are aggregated and articulated along personalistic clientelist lines, is hindering efforts to reform as actors benefiting from this state of affairs have an interest in preserving existing opportunity structures. Reform becomes even more problematic because institutions preserving these patterns are deeply rooted in culture.

In light of the above, an institutionalist approach is deemed as the most appropriate theoretical framework for studying and explaining the poor adaptability of the domestic institutions to the rules introduced in the process of application of Community regional policy.

#### CHAPTER FOUR: CSF 1989-1993: NEW PRINCIPLES V. TRADITIONAL PATTERNS

*"In most cases, the administration of Community funds was adapted to pre existing practices rather than the other way round"<sup>1</sup>*

##### Introductory notes

As noted before, studies have shown that the process of integration has caused different impacts on administrative arrangements of the member-states. In all cases the existing national administrative patterns have influenced the nature and degree of adaptation. Greece has not been an exception. In fact, and despite the introduction of innovations, the first programming period did not bring about any substantial changes in regional policy making. The results of the application of the 1<sup>st</sup> CSF clearly suggest that institutions like the Monitoring Committees were absorbed by traditional structures and practices which ignored and bypassed the principles introduced with the 1988 revision of the Structural Funds.

This chapter will discuss the application of the regional section of the CSF 1989-1993 in Greece. Although the application of the CSFs impacted on structures and modes of interaction at the central level too, this dissertation focuses on changes occurring at the sub-national level. Therefore, central level is discussed here to the extent that it is involved in the developments at the sub-national level. Discussion examines the application of the principles common to all Structural Funds, but focuses on public works production funded by the European Regional Development Fund (ERDF). It does not discuss reforms in the context of the other

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<sup>1</sup> Plaskovitis, E.(1994): *"EC Regional Policy in Greece: Ten Years of Structural Funds Intervention"*. In Kazakos, P. and Ioakimidis, P.C *"Greece and EC membership evaluated"*. London, Pinter, p. 123.

Structural Funds. Public works production was chosen as the most appropriate theme for analysis here, because as already noted, production of basic infrastructure projects and works has been par excellence connected with the regional policy process. More particularly, it is directly linked to the clientelist networks of public and private actors built around the Prefecture, and as such constitutes a most illustrative example of opportunity structures embedded in culture. These structures were challenged by the principles of the reformed Community Regional Policy (CRP), and displayed a high degree of resistance.



### Authorities involved in CSF decision making

Each year the Annual State Budget which has a direct effect on the Public Investment Budget and consequently the financing of the programmes, is prepared by the Government, submitted to and approved by the Parliament In accordance with Law 1622/1986. The Parliament also approves projects of great national importance such as Large Project Athens Metro.

- The Ministry for National Economy(YPETHO), is responsible for the general programming and monitoring of the implementation of the CSF. YPETHO Deputy Minister is the President of the CSF Monitoring Committee.
- The Ministry of the Interior appointed the Prefects up to January 1995 when the first Prefectoral Self-governments were established. It appoints the Secretaries General and the General Directors of the Regions. It has the co ordination and surveillance of the Regions, the Prefectoral Self-governments, Municipalities and Communes, and monitored the implementation of the Special Development Programmes for Local Self-government (EAPTA), which were Subprogrammes contained in the Regional Operational Programmes.(ROPs).
- The Ministry of Public Works (YPECHODE) and other ministries are responsible for the implementation, surveying, and management of projects.
- The Ministries for Agriculture, Labour, and National Economy, corresponding to the EAGGF, ESF, and ERDF for the monitoring of the expenditures of actions in the context of the respective Funds. There are respective Directorates in the ministries assigned with the follow up of the CSF.
- The role of the Regions has been gradually enhanced during the period 1989-1999. It has lodged since its establishment in 1988 the Secretariat of the Monitoring Committee of the ROP of which the Secretary General of the Region, known as the Peripheriarch is the President. Recently, it acquired by law its own Collective Decision for Action (RCAD) and the Regional Development Fund (RDF), both introduced initially in four Regions of the country, and then in the remaining nine Regions. This means that the regions will from now on be able to draw their own development plans, while the RDF will be

responsible for payments made through the European Funds. The Regional Council is also involved in the preparation of the Regional Operational Programme, according to Law 1622/94.

- The prefectural tier, (as Prefectures until 1 January 1995, and as Prefectoral Self-governments ever since that date), and the Local Self-government Organisations (LSGOs), are responsible for implementing and monitoring projects.
- The CSF Monitoring Committee, with the Undersecretary of YPETHO as President consisted of high ranking Commission officials and the Presidents of the other Monitoring Committees, as well as high ranking officials of YPETHO and other Ministries. It takes the decisions concerning revision of the budget of the Programmes, follows the implementation of the whole CSF and in general intervenes whenever it considers it necessary.
- The ROP, OP, and LP Monitoring Committees follow the implementation of their particular programmes. The Monitoring Committees and their Secretariats composed of the Sub programmes Responsibles, propose revisions at the level of their Programmes. These decisions are subject to final approval by the CSF - MC.

*Ministry for National Economy: Central Programming and Financing Agent of the  
CSF*

Legal Framework

- L. 1558/85 *"Government and Governmental Bodies"*.
- Presidential Decree 437/85 *"Competencies of the Ministry for National Economy"*.
- Presidential Decree 138/83 *"Organisation Chart and Rules of Procedure of the Ministry for National Economy"*.
- No 2974/24.1.1996 Joint Decision of the Prime Minister and the Minister for National Economy, *"Definition of the Competencies of the Deputy Ministers of the Ministry for National Economy"*

Short description of competencies

- Formulation and negotiation of the structure, content and budget of the CSF.

- General monitoring and co-ordination of the application of the CSF on the part of the Greek Government.
- Appointment and support of the Monitoring Committee of the CSF.
- General co-ordination of the financial flow of the CSF on the part of the Greek Government.
- General co-ordination of and co-operation with the programming agents of the Operational Programmes for the establishment of the Monitoring Committees of the Secretariats of the Operational Programmes, as well as the employment of Programme Managers and Evaluators.
- Responsibility for a central information system.
- Introduction of institutional reforms in co-operation with YPEHODE (2<sup>nd</sup> CSF)

#### CSF Monitoring Committee

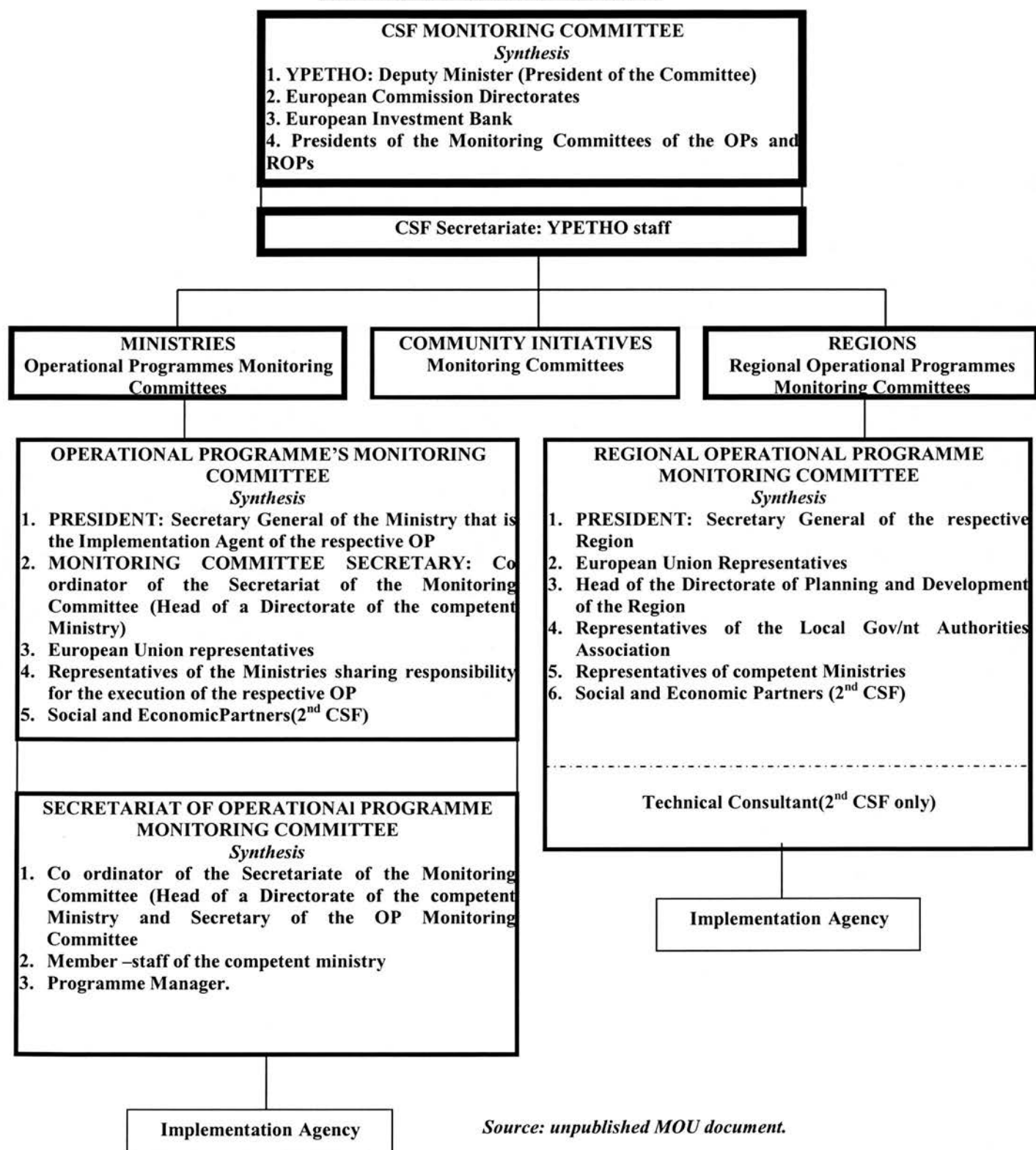
##### Legal framework

- Greece: CSF
- Ministerial Decisions on the appointment of the CSF MC.
- Rules of Procedure of the CSF MC

##### Short description of competencies

- Co-ordination of various structural interventions including those in the context of the Community Initiatives
- Co-ordination with other Community policies with view to implementing the strategic goals of the CSF.
- Monitoring, and assessment of the intermediate evaluations of the CSF.
- Elaboration of proposals and decision making on re-programming of the CSF.

## CSF MONITORING FLOW CHART



*Source: unpublished MOU document.*

### Profile of the CSF.

Greece as a whole has been listed as Objective 1 Region, therefore, the CSFs concern the whole of the country.

Both Greek CSFs were divided each in a National and a Regional Section, meaning that actions were classified along two lines of programming. The National Section covered large scale projects, and/or programmes and actions of national scope, while the Regional Section comprised thirteen (13) Regional Operational Programmes corresponding to the Regions. The ROPs are multifund operational programmes comprising all measures under the Funds “aimed at developing each Region’s specific potential”.<sup>2</sup>

During the first CSF, each ROP was structured in Sub-programs corresponding to the Structural Funds. Additionally, each Sub-program was divided into Measures corresponding to the sectors of economic activity or to the various categories of infrastructures. It was argued that, this was a way to control the distribution of available funds by sector and, consequently by each central Ministry’s competence.<sup>3</sup>

One more special feature of the ROPs in both programming periods, has been the inclusion in them of the Special Local Authorities Development Programme (EAPTA) which is an operational programme encompassing small-scale projects and works. It was an initiative of the Central Union of Municipalities and Communes (KEDKE), and was drawn with technical assistance from the Greek Enterprise for Local Government and Local Development (EETAA). It included many small scale works financed by ERDF, which were not eligible for

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<sup>2</sup> Commission of the European Communities, (1989), *“Community Support Framework 1989-1993 - Greece”* p. 10.

<sup>3</sup> EVALION, (1995), Ex Post Evaluation of the CSF 1989-1993 for Greece. Athens.



other sub-programmes precisely because of their small size. These works were grouped under EAPTA with view to allowing Local Authorities most often lacking the means to pursue large scale works, to be involved in the process of regional development.

A common characteristic of both national and regional sections has been the importance attributed to basic infrastructure and the subsequent preponderance of basic infrastructure projects and works.

*The ROPs: The weaknesses of the centralised, clientelist State and the application of the new operational tools.*

The Regional Development Plan (RDP) for Greece, which became the 1<sup>st</sup> Community Support Framework was prepared along the traditional lines of regional policy process, as described in Chapter Two, despite the requirements of the 1988 reform.<sup>4</sup> Actors at Local Self-government (LSG) level have pointed out that the ministerial circulars containing instructions as to how individual ROPs (i.e. of the thirteen Regions) should be prepared reached the interested parties with considerable delay, allowing very limited or no time at all for the preparation phase.<sup>5</sup>

At any rate, it was not so much the delayed circulars as the chronic deficiencies of the State at all levels that determined the quality of planning and programming. As discussed in Chapter Two, all levels of the administration lacked the logic and the infrastructure necessary for planning. This situation

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<sup>4</sup> Interview with P. Colias, YPETHO official, October 1999.

<sup>5</sup> Interview with S. Iatrou, and several interviews other LSG actors in Attica and Boiotia, held between 1998-2001.

remained unchanged in 1989. There were incomplete or no studies at all of spatial development or other studies of technical nature at national or sub-national levels, which meant that objectives could not be defined according to the real needs of each Region. This meant moreover, that technical and organisational incapacity made impossible the application of the principles introduced with 1988 reform, and provided the conditions necessary for the maintenance of the traditional centralised patterns in policy making.

- *Concentration*

The following example provides an illustration of the above argument: Concerning school buildings in the Region of Eastern Macedonia - Thrace, the respective needs were assessed only for some areas and even then in a rather fragmentary manner. As a result, it was not possible to determine with precision the objective, and consequently, the financial objective did not correspond to the real needs either. It should be added that funds allocation to the Prefectures was decided at the central level of the government. Taking into consideration the absence of a developmental logic and relevant studies, this meant, that the funds for school buildings were distributed to the five Prefectures of the Region not according to their respective real needs, but on the basis of other criteria. It is characteristic that in certain cases the technical object of a project did not refer to a specific building but vaguely to the construction of school-buildings in general.

More particularly, in the Prefecture of Kavala, (Region of Eastern Macedonia - Thrace), the project under the title "School Buildings" concerned five buildings of a total initial budget of 330 m dr., while in reality the amount required for completion of the project was three times as much. In the same Region there was a considerable degree of inequality in the funds allotted to the

five Prefectures for school buildings. This may have been justified, but since there were no studies on the real needs of all the Prefectures, assessment of their eligibility was impossible.<sup>6</sup> Therefore, the principle of concentration could be easily infringed. The example of school-buildings in the Region of Eastern Macedonia – Thrace is only an illustration of what has been the rule in all ROPs.<sup>7</sup>

There are several dimensions in the issue. Firstly, the principle of concentration suggests that resources be allotted according to the needs of each Region and respectively, in the example above, according to the needs of each Prefecture-component of the Region, and as such it presents a serious challenge for the centralised clientelist State described in Chapter Two. It means that no other criteria, such as balance of electoral interests should be considered in funds distribution. This however has been the practice ever since the creation of the modern Greek State, and therefore, a core element of the political and administrative system was challenged by the application of concentration.

On the other hand, the deficiencies of the State at all levels and especially at the sub-national tiers, as reflected in the absence of the required studies were conducive to traditional practices as they provided the framework for violation of concentration. Again, these deficiencies are directly related to the clientelist centralised state, since as shown in Chapter Two, a) Local Self-government has been kept organisationally and institutionally weak so that it remained dependent on the central State, b) personnel at all levels has been employed along clientelist practices, which meant that most often they lacked the necessary qualifications and this is related to the inability to prepare studies at all levels of the

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<sup>6</sup> On-going Evaluation Report of ROP Eastern Macedonia – Thrace 1989-1993, September 1992.

<sup>7</sup> See for example the annual evaluation reports of the ROP Peloponnese 1989-1993, as well as the Ex-post Evaluation report of the CSF 1989-1993.

administration. This vicious circle was maintained during the application of the 1<sup>st</sup> CSF.

- *The Prefecture and the Region*

Persistence of traditional patterns is also illustrated in the predominance of the Prefecture in planning and programming, which was retained throughout the 1<sup>st</sup> programming period, at the expense of the role of the Region and the Regional Council. More specifically, Local Self-government development programmes, which were as before 1988 mere lists of small-scale works were submitted to the Prefectoral Council. The Prefectoral Council, dominated by the Prefect, decided on the composition of the Prefectoral Development Programme and submitted it to the Regional Council for approval. However, the real power for project selection resided with the Prefecture. There has scarcely ever been a case in which the Secretary General of the Region or the Regional Council changed a prefectoral programme.<sup>8</sup> This means that between the appointed Prefect and the also appointed Secretary General of the Region, the real power resided with the former, despite the fact that the latter was at a higher level in the hierarchy, and that by Law, it was the Regional Council that should determine the composition of the Regional Operational Programme. Instead, each ROP was not conceived and formulated with view to responding to the needs of the Region as a planning entity. On the contrary, it was the result of the juxtaposition of inarticulate prefectoral programmes, each of them containing inarticulate local programmes.

Indicative of the importance of the Prefecture in the maintenance of the existing opportunity structures is the fact that the provisions of Law 1622/1986

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<sup>8</sup> Stated by all interviewed actors involved in the process. Among others, S. Kopitsi Co-ordinator of ROP Attica, P. Kolias YPETHO official, Ch. Palaiologos Mayor of Livadia, June 2001.

introducing the Prefectoral Self-government remained inactive during the 1<sup>st</sup> programming period. Directly elected Prefectoral Authorities would not be necessarily politically affiliated to the Government, which meant that the latter would lose control over resource allocation and subsequently over Local Self-government Organisations (LSGO), which would in turn reduce its influence on the electoral body.<sup>9</sup> Moreover, intricate networks of public and private actors, whose economic and political interests were traditionally aggregated and articulated around the Prefecture and its function as dispenser of resources, had every reason to retain the status quo.<sup>10</sup>

As pointed out, *“the fact that the Government had agreed to establish the Regions was rendered void by the absence of a real regional tier of government in Greece”*.<sup>11</sup> Indicative of these attitudes is the fact that the newly established Region remained institutionally and organisationally incapacitated. It is characteristic that in most cases, the Regions lacked almost completely the necessary personnel to staff the Secretariats of the Monitoring Committees. Moreover, although officially responsible for the application of the ROPs, the Regions lacked the mechanism and the competence to become implementing and financing agents, in contrast to the Prefectures that could do so through the Prefectoral Funds. The need for the establishment of Regional Funds (legal personalities of private law) and deconcentration of competencies from Central State agents to the Regions was emphasised in the reports of the Evaluators of the ROPs.<sup>12</sup> The intention of the

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<sup>9</sup> Unless competencies were taken away from the elected Prefectoral Authorities, which happened when the reform was finally introduced.

<sup>10</sup> This has been strongly argued by all actors interviewed. The issue is also treated in Christopholopoulou, P. (1996), *“Prefectoral Administration and Self Government in the Greek Political System”*. (In Greek), GREEK REVIEW OF POLITICAL SCIENCE, VOL. 7, pp. 124-152. To be further discussed in Chapter Five.

<sup>11</sup> Interview with Ch. Palaiologos, Mayor of Livadia, June 2001.

<sup>12</sup> See e.g., Ex-post Evaluation Report of ROP Peloponnese 1989-1993.



central government to perpetuate the institutional and organisational weakness of the Region was reflected also in its reluctance to devolve to the Regions competencies such as approval of environmental studies, which caused considerable delay in implementation.<sup>13</sup>

In sum, the Region lacked the resources to carry out successfully monitoring, and also lacked the competencies and resources necessary for technical monitoring and financial management despite its responsibility for the application of the ROPs. As characteristically pointed out, the Regions had *"no powers, which rested in the hands of the Prefectures, the Ministries or the other implementing agencies"*.<sup>14</sup> In short, the marginal role of the Region in policy process, the failure to empower this newly established tier, and the preservation of the Prefecture's predominance in resource allocation were directly related to persistence of traditional opportunity structures. As discussed in Chapter One in relation to compliance with Community legislation, the Commission has shown preference to mild, informal procedures as opposed to those provided for by Art. 169. It was noted that it is precisely against this background that the soft law aspect of the CSF and the context of partnerships acquire special value. An illustration of this argument is offered in the Greek CSF 1989-1993 for Greece. In it, specific reference is made to the existing centralisation of monitoring and financial management regarding the regional section measures, and the need for decentralisation of these competencies with view to achieving more effective administration of the ROPs. As noted, the Greek authorities had committed themselves to proceeding to decentralisation and gradually completing it by the

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<sup>13</sup> See Evaluation Reports of ROP Eastern Macedonia – Thrace, and Ex Post Evaluation Report of the CSF 1989-1993.

<sup>14</sup> Ex-post Evaluation of the CSF for Greece 1989-1993. Also, interviews with Ch. Palaiologos, Mayor of Livadia, S. Iatrou, Prefectoral Councilor of Eastern Attica, and staff of the MC Secretariat of ROP Crete, and ROP Attica, held between March 1999 - June 2001.

end of 1991. Moreover, it is added that, "*failing this, ad hoc arrangements/solutions will be worked out under the partnership procedure*".<sup>15</sup> However, these informal measures did not prove effective, since at the end of the first programming period no steps to decentralisation had been made, despite the Commission's pressure on the Greek government.<sup>16</sup> Although the centralisation of competencies seriously hampered effective application, there was not much the Commission could do apart from exerting pressure unofficially, as the Regions are not required in the Funds' Regulations, but simply the logic of the Funds suggest that there should be a regional tier.<sup>17</sup>

- *Partnership*

Furthermore, there was centralisation of power beyond the national level, owing to a) the already mentioned weaknesses of the administration and its inability to respond to the needs of multi annual programming and b) national authorities' low negotiation power owing to i) special financial assistance granted by the Community in 1986, ii) demand for a new Community loan with view to meeting the needs of national contribution to CSF financing, and iii) the fact that the CSF was seen as the very "last chance" for economic recovery. In light of the above, Commission interference has been heavy in the whole process of planning and programming, especially in the case the ROPs and owing to the extremely low

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<sup>15</sup> Commission of the European Communities, (1989), *supra*, p. 21.

<sup>16</sup> Document: letter of E. Landaburu to A. Tsiplakos, 23.7.1991. Personal archives of A. Tsiplakos, Deputy Minister for National Economy 1990-1993.

<sup>17</sup> Interview with Bruce Millan, European Commission, November 1998.

capacity of the Regions. The national authorities tended to comply with the Commission's proposals at the expense of the principle of partnership.<sup>18</sup>

The Commission's interference has been intense especially in reprogramming. More specifically, a common observation has been that it used veto in MC decisions. In general, MC decisions were already reached before the meeting of the Committee, between the Secretary General, his consultants and the representative of the Commission, the latter enjoying veto. When the MC met officially, everything had been decided in advance, and the other members of the Committee simply complied, as the Commission threatened to block funding unless its proposals were accepted.<sup>19</sup> On the other hand, it seems that in most cases the Commission "*had no other choice*"<sup>20</sup> as an overseer of the application of Community legislation.

Partnership was also hampered, and the Central State's and Commission's roles were enhanced with the so-called 'written procedure', which substituted for the formal meetings of the Monitoring Committee. Instead, a written proposal would be circulated among the members of the Monitoring Committee, who had a certain amount of time to submit their opinion individually. The proposal was also sent to the Ministry of National Economy and the Commission. In case of disagreement, this was discussed and resolved between the Commission and the Ministry for National Economy, since, in the case of Greece subsidiarity is restricted at the Community level on the one hand and the national government

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<sup>18</sup> Ex-post evaluation of the CSF 1989-1993. Commission's strong interference has been confirmed also by YPETHO officials, and ROPs Secretariats staff.

<sup>19</sup> Stated by all national actors. Among others, M. Antoniou YPETHO official, N. Nikolaidou and S. Kopitsi ROP Attica MC Secretariat, F. Papageorgiou Evaluator ROP Peloponese, Spring 1999. On the marginal role of the MC in general see also Ex-post Evaluation Report of the CSF 1989-1993.

<sup>20</sup> This has been a common statement of Commission officials: Interviews with D. Chalikia March 2001, H. Helmi and G. Giannoussis, November 1997.

on the other.<sup>21</sup> Clearly, despite the flexibility of this approach, the openness and transparency implied by the principle of partnership have been greatly impaired, while there has been further centralisation of power.

- *Programming, over-fragmentation, technical criteria, and budget underestimation.*

All the weaknesses, and core features of the clientelist centralised State crystallise in project selection process. Owing to lack of political will to put an end to the vicious circle of clientelist relations, traditional practices persisted throughout the 1<sup>st</sup> programming period.<sup>22</sup> This section focuses on three issues that have had a detrimental effect on the programmes, i.e. over-fragmentation of resources in small-scale, basic infrastructure works, lack of technical criteria and under estimation of budgets. Indeed, a common characteristic of all ROPs has been the over-fragmentation of resources in basic infrastructure projects an issue connected moreover to direct award of contracts. Non-realistic prices and respectively budget under-estimation as well as selection of projects lacking the technical criteria have also been widespread practices. The resulting impact on the efficiency of the programmes was even bigger because of the predominance of this category in all ROPs. Moreover, the issue acquired bigger dimensions, as there has been through reprogramming a considerable transfer of resources from the national to the regional section and from innovative projects to basic infrastructure small-scale works.<sup>23</sup> As shown, these practices are connected to electoral considerations and the networks of private and public actors involved in this

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<sup>21</sup> Ex-post Evaluation Report of the CSF 1989-1993.

<sup>22</sup> Interview with P. Kollias, YPETHO official, October 1999.

<sup>23</sup> *Ibid*

policy sector. The principles introduced with 1988 reform left traditional patterns untouched during the 1<sup>st</sup> programming period.<sup>24</sup>

The so-called Technical Fische, a form containing information on the basis of which a project is selected or rejected, existed in a rudimentary form and included only a very general description of the technical object and the budget required. These forms which were used in the initial phase of planning were not revised or specialised later during reprogramming. There were some new forms of Technical Fische prepared by the Secretariats of the Monitoring Committees or the Programme Managers, but these were used to facilitate monitoring and in no way could they substitute goal setting.<sup>25</sup> However, even these simple forms represented a challenge for the small LGOs, which were not in position to fill them in.

A common observation in all evaluation reports concerns the dominant attitude of agents involved in the implementation of ROPs to favour small scale works rather than integrated programmes, owing to attachment to long established patterns. As a result the ROPs ended up by being a collection of projects without a clearly defined objective, which rendered aim setting impossible.<sup>26</sup> This was particularly observed in the Special Local Authorities' Development Programme(EAPTA), which was addressed to small LSG entities without the appropriate infrastructure and know-how.<sup>27</sup> EAPTA offers an illustration of the argument that decentralisation is not panacea. Most of the times the elected Local Authorities repeating old practices, were too conscious of the

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<sup>24</sup> Several interviews with S. Iatrou Eastern Attica Prefectoral Councilor, ROPs MCs Secretariat staff, during the period 1996-2001.

<sup>25</sup> See Ex post Evaluation Report of ROP Peloponnese 1989-1993.

<sup>26</sup> *Ibid.*

<sup>27</sup> *Ibid.*



local needs and interests ignoring the developmental priorities of the larger area, while this attitude was most often re enforced by political considerations.<sup>28</sup>

Broader party politics had also an impact on selection of the projects, as this was most often the result of negotiations in the context of clientelist relations. In general, Local Authorities would be inclined to pursue policies that would ensure their re election, with what could be called “fancy projects”, bearing “fancy names” such as the “remodelling” or “refurbishing” of this or that part of their town. As a result, these projects while often absorbing considerable amounts of national and Community resources, nevertheless failed to incorporate the logic of regional development, since their goal was to satisfy local electoral needs.<sup>29</sup> More specifically, during the programming but also re-programming phases, -project selection was an on-going process that lasted throughout the application of the ROP-, fragmentation allowed the Prefectoral Council to distribute resources to a larger number of Local Authorities, ensuring a balance between various political interests. In turn, by means of fragmentation, Local Authorities were able to satisfy a larger number of contractors thus retaining and reinforcing their clienteles. At the same time, this practice allowed for direct award of contracts, against the provisions of Community Directives aiming to ensure a healthy competitive environment. Clientelist practices were also facilitated by the fact that the aims of the ROPs were rather vague, and did not set concrete goals, which meant that the ROPs could be filled up with any kind of projects.<sup>30</sup> In most cases, the technical criteria were not met yet the projects were selected. As pointed out, selection in

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<sup>28</sup> Ex post evaluation of the Greek CSF 1989-1993, *supra*.

<sup>29</sup> Interviews with a) Katsoudas, Secretary General of the Ministry for Agriculture during the period 1991-1993, August 1997, b) Kopitsi Stella, Co-ordinator, Secretariat of the ROP Attica Monitoring Committee, May 1997.

<sup>30</sup> Clientelist practices as facilitated and at the same time indicated by the content of the programmes were pointed out interview with A. Bougas, European Commission official, interview June 1995.

both programming and re-programming processes was dictated not by objective programming considerations, but by the *“changing balance between various interested actors(private) on the one hand, and administrative and political actors on the other”*.<sup>31</sup>

One of the most serious problems encountered and reported by all evaluators has been that budgets were estimated through unrealistic studies that led to heavy discounts. The causes of these discounts were connected to the existing legislation (Law 1418/84), according to which the main criteria for selection of tender offers were based heavily on the financial aspect. This encouraged the contractors to offer the lowest possible bid so that they were awarded the contract and then they would revise the budget upwards as expenses increased. As a result of the combination of the low bids, and the 50% rule<sup>32</sup>, the projects ended up without the funds necessary for their successful implementation.<sup>33</sup>

For example, the project “Re-designing of the Seashore of Rapsani”, had an initial budget of 100 m. dr. while the real cost was 400 m. dr. The initial budget of the “Prefectoral General Hospital of Xanthi”, was 3,75 billion Dr., while another 3 billion was required.<sup>34</sup> The project “Takas Irrigation” is another characteristic example:

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<sup>31</sup> Economou, D. (1994), *“Planning and Implementation Problems of the 1<sup>st</sup> CSF for Greece”*. (In Greek). TOPOS No 7, pp. 57-91, p.79. Political balance as a criterion for project selection has been confirmed by all actors interviewed. It was pointed out that it was necessary to achieve a balance between ministries, prefectures and Local Authorities. Depending on the time, the political or the technical criteria would prevail. Announcement of certain public works at a certain time often served political purposes. Interview with J. Koune, YPETHO official, October 1997.

<sup>32</sup> According to this rule a project’s initial budget cannot be revised by more than 50% during reprogramming.

<sup>33</sup> Ex-post Evaluation Report of the CSF 1989-1993. See also the evaluation reports of ROPs Peloponnese, Central Greece, and Eastern Macedonia-Thrace.

<sup>34</sup> Evaluation Report 1992 A' of ROP Eastern Macedonia-Thrace.

- It was initially included in the ROP Peloponnese with a budget of 833 KECU including technical studies and construction.
- By the end of 1992 the budget was reduced to 667 KECU, although the technical studies were not even commissioned at that time.
- The studies were finally assigned in 1993 and their cost reached the sum initially meant for both studies and construction.
- The final cost of the project was 30.000 KECU!<sup>35</sup>

There are several issues here: a) 40:1 (4.000%) deviation between the initial and the final cost of the project. b) The studies were assigned with more than two years delay. c) The project was still included in the ROP in the beginning of 1994<sup>36</sup> with the initial budget of 833 KECU.<sup>37</sup> Lack of preliminary technical studies is certainly one factor allowing for discounts. *Such* great deviations though, seek more satisfactory explanations. It is argued, that budget underestimation is related to the role of programmes as support mechanisms of clientelist networks involving private and public actors.<sup>38</sup> Given the fixed amount of funds allotted to each programme, underestimation allows for a larger number of projects to be selected and therefore the satisfaction of a larger number of private and public interests. The examples cited above are only illustrative of what has been a settled practice in all ROPs: *“projects are selected consciously with underestimated budgets, and according to the criterion of ‘political output’ which is better served through selection of*

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<sup>35</sup> Mid-term Evaluation Report of ROP Peloponnese 1989-1993, February 1994.

<sup>36</sup> The Greek CSF was given one more year to be implemented.

<sup>37</sup> Mid-term Evaluation Report of ROP Peloponnese 1989-1993. February 1994.

<sup>38</sup> Economou, D. (1994), *supra*, pp. 57-91, p.82. Also interview with M. Antoniou, YPETHO official, October 2000. As she pointed out, *“this suggests some sort of informal agreement”*.

many projects that will remain unfinished, rather than with a smaller number projects which will be completed".<sup>39</sup>

This practice on the one hand allowed and facilitated the function of clientelist networks of public and private actors. On the other hand it resulted towards the end of the 1st programming period, in a large number of unfinished works.<sup>40</sup>

- *Additionality*

Application of additionality is one more instance of domestic weakness influencing implementation of Community policies. Initially, the ratio of national and Community shares was 50/50. However, national resources were not enough to complement Community funds at that ratio and the Greek government had to resort to a solution, which allowed it to participate with the national resources available. It reduced its own share, changing the ratio to 25/75.

The change is depicted in the following table:

	<i>Ratio</i>	<i>National contribution</i>	<i>Community contribution</i>	<i>Total amount</i>
<b>a)</b>	50/50	100 units	100 units	200 units
<b>b)</b>	25/75	33 units (app.)	100 units	133 units (app.)

<sup>39</sup> Mid-term Evaluation Report of ROP Peloponnese 1989-1993. February 1994.

<sup>40</sup> Interview with H. Helmi, European Commission official, November 1997. As pointed out, this was not the case of e.g. Ireland and Portugal, where as a result, Commission interference was not of the same scale as in Greece. This is further discussed in Chapter Five.

The “trick” here consists in that the Community share is fixed. It is precisely because of that that, by reducing the national share the total amount of funds is also reduced. More analytically:

- In (a) in order to get 100 units from the Community another 100 of national resources were required.
- In (b) in order to take 100 units from the Community only 33 (app.) units of national resources were required.

The reasons for this change had to do with various parameters. According to A. Tsiplakos, Deputy Minister of YPETHO who introduced it, it was lack of national resources that dictated it.<sup>41</sup> However, it was also argued that even if the Greek State possessed the necessary funds to retain the 50/50 ratio, its organisational capacity could meet the requirements of only a limited number of rather small scale projects. Therefore, the change of ratio came to address the issue of lack of resources but as well as that of the organisational weakness of the State at all levels.<sup>42</sup>

This change however, precisely because it involved reduction of resources meant that projects already selected for the programmes had to be removed. It is characteristic that the announcement about the change of the ratio was made by the Under-Secretary of YPETHO during a Pan-Hellenic Congress of the Associations of Local Self-government in Thessaloniki in 1990, but no one realised what it really meant. Because no further explanation was given, there was a misunderstanding followed by euphoria among the Mayors, as it was wrongly thought that more resources would be available for projects. It was only later

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<sup>41</sup> Interview with A. Tsiplakos, October 2001.

<sup>42</sup> Interview with I. Nikolaidou, member-staff of the Region of Attica, later of the MOU, and currently of the Managing Authority of YPETHO for the 3<sup>rd</sup> CSF, September 1999.



when the time came for revision of the programmes and therefore exclusion of initially selected projects that the Mayors became aware of the loss and reacted with fury.<sup>43</sup> The repercussions of this overbooking on the efficiency of the Programmes are obvious, as are the pressures exerted by the LGA and other actors involved, trying to ensure that their projects were not removed.

### *Organisational inadequacy of the Regions and the introduction of parallel structures*

- *Technical Assistance.*

Use of Technical Assistance begun with a delay, due to procedural difficulties, i.e. absence of a flexible legislative framework. A non profit company had to be created in order to make it possible for the Regions to use funds available from Technical Assistance, since the legislative and administrative reforms introducing decentralisation of financial management, although long foreshadowed, had not occurred. Other Member States had already the proper legislative frameworks and so did not face similar problems. Finally the Council of State, supreme administrative Court, ruled that a limited liability company could manage public money. A proposal was submitted to the Parliament, and was adopted after a considerable delay owing to political disagreement.<sup>44</sup> The creation of a "Company for the Management of Technical Assistance S.A" to handle Technical Assistance funds allowed the Regions to pay for general administration expenses, among others equipment and personnel assisting the Secretariats of the

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<sup>43</sup> Interview with Prof. D. Economou, July 1999.

<sup>44</sup> Interview with M. Delighiannakis, General Director of ELKEPA (Greek Centre of Investment) 1991-1993, and one of the officials involved in the process of establishment of "Technical Assistance S.A.", April 1999.

Monitoring Committees. At the same time a relevant guide of functions and procedures relating to Technical Assistance was drawn up in June 1992. Since then the company was entrusted a series of studies for the needs of the ROPs, given the inability of many agencies to implement a specific project and prepare implementation studies.<sup>45</sup>

- *Programme Managers and Evaluators*

In light of the Regions' organisational incapacity, there were efforts on the part of the Deputy Minister of YPETHO, as early as 1990, to introduce private actors in the management of the programmes.<sup>46</sup> The Commission was in favour of a parallel matrix, because they believed it was the only way to tackle the issue of administrative deficiencies in the application of the CSF for Greece, and they were urging the national authorities to proceed with the new measures.<sup>47</sup> The main problem was located in the Secretariats of the Monitoring Committees, which were under-staffed. Programme Managers (PMs) (private firms of economic consultants) were introduced initially in the ROPs, later in certain national section operational programmes. They were appointed on the basis of annual contracts signed with YPETHO. They were responsible among others for proposing action needed to accelerate project implementation, updating the information system of the ROPs and sending data each month to the Ministry for National Economy. Initially there was distrust towards the PMs by the employees of the implementing agencies. This could be explained by the fact that the Public Sector

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<sup>45</sup> Ex-post Evaluation Report of CSF 1989-1993 – Greece.

<sup>46</sup> Interview with A. Tsiplakos, Deputy Minister for National Economy, 1990-1993. October 2001.

<sup>47</sup> Documents, personal archives of A. Tsiplakos.

employees were paid much less than the PMs, and also by their unfamiliarity with this new innovative concept.<sup>48</sup>

The Programme Managers acted as an institution complementary to public administration. However the value added of this institution varied depending on the capacity of the Regions. For example in ROPs such as Central Macedonia and Attica with rather well staffed Secretariats, the need for PMs was limited and specific to certain projects, whereas in other ROPs, such as North Aegean Islands, Peloponnese and West Macedonia, the needs were much larger and the PMs had important roles to play.<sup>49</sup>

Evaluators for the ROPs were appointed between 1991-1992. According to the contracts also signed by YPETHO, the Evaluators were expected to produce intermediate and annual reports on the evaluation of a) the management system, b) the implementation of actions, c) the output and impact of actions. Their comments on the aims of the programmes, their evaluation of the management system, and of the physical output and impact of the projects, as well as the help they provided in the planning of the CSF 1994-1999, made them important contributors to planning, revision and implementation of the ROPs as well as programming of the new CSF have been of considerable value. Despite the problems mainly arising from lack of a specific, widely accepted methodology for on going evaluation and the deficiencies of the information system,<sup>50</sup> overall, the

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<sup>48</sup> Ex post Evaluation Report of CSF 1989-1993.

<sup>49</sup> Several interviews with members of the MC Secretariat of ROP Attica, held between 1996-2001. Also, Ex-post Evaluation of CSF 1989-1993.

<sup>50</sup> See for instance the Evaluation Report of ROP Eastern Macedonia – Thrace, September 1992, and Ex-post Evaluation Report of the ROP Peloponnese 1989-1994. The issue of the form of the Evaluation reports was not solved during the 1<sup>st</sup> programming period. One of the problems consisted in lack of prior experience even on the part of the Commission, as to how reports should be formulated. It is characteristic that in 1996 during one of the CSF Monitoring Committee's meetings the Commission's representative stated: *«we start by discussing the Evaluators' proposals*

value added of the Evaluators has been great, especially in the ROPs where their contribution was particularly appreciated in light of the organisational weakness of the Regions.

As noted in Chapter One, evaluation has had a different impact on the administrative culture of the Member-States. In some of them, it remains a statutory obligation arising from the Structural Funds Regulations, although it is gradually considered as a management tool. In other Member-States though, evaluation is seen as a political act, i.e. it provides information for the public and *"becomes a tool in the democratic game"*. This has not been the case in Greece. As argued below, societal actors are not interested in efficiency and effectiveness of the programmes, because they seek promotion of their interests in ways that on the contrary impede effective and efficient application of the programmes. In other words, it is domestic opportunity structures that have determined the impact of evaluation on the administrative and political culture and not the other way round. The interaction between public and private actors has not been affected by the results of the evaluation reports, because traditional practices are well consolidated and vested interests far too powerful to allow use of evaluation for social control of the developmental programmes.

#### *Opportunity structures, programmes efficiency, and social control*

Efficiency of the programmes is not within the scope of this dissertation. It is though interesting to reflect on the reasons why groups and actors that should have reacted to the poor implementation of the programmes as the main beneficiaries of a successful development programme remained inactive and

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*because we don't have on the outset prior relevant knowledge allowing us to impose a certain methodology".* Galanis, Greek official of the European Community. Minutes, CSF 1994-1999 MC meeting, Tuesday 17 Sept 1996.

allowed for repetition of old patterns. Popular distrust towards previous developmental efforts of the State, and in particular the never implemented five-year plans contributed to the unresponsiveness of the social and economic groups to regional development planning. Lack of appropriate infrastructure of the business associations and labour unions, as well as lack of information also account to some extent for lack of interest on the part of economic partners. Nonetheless, the main reason has been located in the existing opportunity structures.

In an interesting contribution, D. Economou has argued that economic actors seek to create a favourable economic environment for their business with strategies that do not involve healthy competitiveness and application of relevant rules, but on the contrary infringement of rules with view to reducing the cost of production. In that sense, importance is attributed to and interest focuses on not the benefits to be drawn from participation in the formulation and application of a developmental programme, but on personal relations with public actors, both political and administrative personnel, which will allow infringement of rules.<sup>51</sup> Against this background the groups that benefit from this state of affairs belong to two large categories:

1. Civil servants and political personnel who seek to promote their personal interest and increase their income through control of the management of the programmes. As explained by the author, the advantages to be drawn range from economic benefits in the narrow sense to project selection via clientelist mechanisms. The fact that the main pre-occupation of the State in the 1<sup>st</sup> CSF has been absorption of the Community funds while effectiveness and efficiency of the

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<sup>51</sup> Economou, D. (1995), "Developmental programmes and social interests" in Spanou, K. *"Collective claims and governmental policies"*, Athens-Komotini, A.N. Sakkoulas, pp. 209-222.



programmes were given much less attention, is due according to the author to the fact that lack of efficiency and effectiveness does not challenge the opportunity structures of the above groups.<sup>52</sup>

Support for this argument is offered in the Ex-post Evaluation Report of the CSF. Indeed, Decision No 1 of 28, November 1991 of the CSF Central Monitoring Committee, established the so-called “80% mechanism”. As stipulated in this decision, programmes that did not manage to absorb 80% of previous years’ cumulative commitments were refused their corresponding deflators and moreover, had their commitment for the following year cut to the amount representing the difference between target and absorption of the year to which the reduced absorption referred. The resources pooled in this way were allocated with CSF Central Monitoring Committee decisions to other programmes. As pointed out, the so-called “absorption syndrome” became thus the main re-programming incentive. There were huge transfers of resources to projects *“on the basis of their expected high absorption, without evidence either of their coincidence with initial aim setting or of their maturity and therefore their functional completion within CSF timetables”*.<sup>53</sup> Although there has been effectiveness in terms of absorption, the whole procedure has been highly centralised, while the quality of planning of the programmes as well as the positive impact on the logic of regional development policy have been minimal. As pointed out: *“From the administrative point of view the ERDF was nothing but a complementary financial instrument. The*

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<sup>52</sup> Ibid

<sup>53</sup> Ex-post Evaluation Report CSF 1989-1993.

*maximalisation of the rate of absorption thus became the only criterion for success".*<sup>54</sup>

2. The second category contains groups connected to networks of public works production such as contractors and engineers. As pointed out, these groups are interested in the projects as such not their developmental impact. It was not accidental that the CSF was predominantly oriented towards construction works, to a far larger degree than CSFs in other Member-States. This according to the author, is evidence that this logic was acceptable by the planning agents i.e. both administrators and political personnel. As argued, the small size of the projects and works of the programmes is appropriate to the also small size of the construction firms, while lack of studies (as discussed above) allows underestimation of budgets and prevents qualitative control of the projects.<sup>55</sup>

The above analysis explains to a certain degree the indifference displayed with regards programmes effectiveness and efficiency by the various social and economic actors, highlighting the reasons why the self-reforming ability of the Greek society is rather low, directly affecting the self-regulatory capacity in the European context. As discussed in Chapter One, because application of Directives often involves apart from public also private actors, and because moreover, it has distributional consequences, it is mainly a question of the civil society's discipline. In the case of Greece, as also shown in the contribution analysed above, the defective civil society linked to the State with intricate clientelist bonds has an interest in preserving the existing arrangements and so has the centralised State. This is also relevant to the analysis in Chapter Three, which shows that the

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<sup>54</sup> Plaskovitis, E. (1995) *supra*, p. 123.

<sup>55</sup> Economou, D. (1995), *supra*, pp. 209-222.

peculiar economic development in Greece has produced social strata whose main feature is ideological confusion, and self-definition on the basis of materialistic not ideological determinants.

Therefore, it is rather easy to explain the pre-occupation of the social groups with absorption rather than programme efficiency. Moreover, it has been argued that traditional patterns have rather benefited from application of the CSF, because Community has made available a huge amount of resources, access to which is ensured mainly through clientelist channels.<sup>56</sup>

### Summary

The application of the first Community Support Framework and the requirements of the Community Regional Policy had only a minor effect on domestic policy process. The prevalence of the Prefecture in resource distribution, its preservation as the sub-national level of aggregation and articulation of public and private interests, ran in parallel with the continued institutional and organisational weakness of the Region. The institutions introduced during the first programming period helped to redress to some extent the managerial flaws of the Regions, but in no way did they contribute to their empowerment. On the contrary, institutions like the Programme Managers, while established in the Regions were directly answerable to YPETHO, which rather reinforced the dependence of the Regions, a development suggesting the intentions of the State to retain centralisation of power.

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<sup>56</sup> Interviews with Dr. G. Alogoskoufis, ND Shadow Minister for Finance, October 1998, and F. Papagheorghiou, Evaluator of ROP Peloponnese, April 1999.

Public works production, a core element in the traditional policy process, remained unchanged despite Community Regulations requirements. Infringement of the principle of concentration in geographical and financial terms, as reflected in the arbitrary-centrally decided- distribution of funds to the Prefectures, as well as the over fragmentation of resources in small basic infrastructure projects, suggest persistence of clientelist practices. Similarly, repeated budget revisions reveal the durability of traditional opportunity structures. On the other hand, the organisational weakness of the State at all levels contributed greatly to the preservation of old patterns and even served as an alibi, while it allowed at the same time for increased Commission interference in policy process.

In short, at the end of the 1<sup>st</sup> programming period, structures and practices in regional policy process remained almost unchanged. This has been attributed to the fact that the operational tools introduced with 1988 reform and applying in the CSFs, challenged core elements of the traditional patterns of resources and power distribution, causing the reaction of national actors in public and private spheres involved in regional policy process.

Indeed, the low self-reforming and self-regulatory capacity of the Greek society is reflected in the preservation of old distributional patterns that served individual interests of public and private actors.

CHAPTER FIVE: COMMUNITY SUPPORT FRAMEWORK 1994-1999, THE NEW  
INSITUATIONS AND THE ROLE OF THE COMMISSION.

*Introductory notes*

This chapter will discuss the introduction of reforms during the 2<sup>nd</sup> programming period. Following the experience and disappointing results of the 1<sup>st</sup> Community Support Framework (CSF), negotiations of the 2<sup>nd</sup> one included on the Commission's initiative, the introduction of reforms that would improve effectiveness and efficiency of the actions undertaken in the 2<sup>nd</sup> programming period. It should be pointed out though, that some of the innovations introduced during this period were not included in the provisions of the CSF. They have been the result of pressure by the Commission, while others had been on the domestic agenda for a long time and were accelerated by the process of European integration. Among the latter, the introduction of the self-government at the prefectural level, the mergers of small Local Self-government Organisations (LSGO), and the establishment of the Regional Development Funds in the Regions were not statutory obligations arising from Community legislation, but their introduction was certainly accelerated by the application of the CSFs.

Reforms provided for in the CSF concerned the establishment of management organisation units mainly in the light of the Regions' organisational weakness, and improvement of the public works production system, and highlight the Commission's dynamic role in the process of domestic reform. The response of the Greek administrative system illustrates the importance of opportunity structures embedded in culture and the link between them and the self-regulatory capacity of the society.



It is noted that at completion of this thesis, ex-post Evaluation Reports for the second CSF and the individual ROPs were not even commissioned, which posed considerable difficulties in collecting information for the whole of the country. However, a general picture arises from interviews, and official documents such as minutes of the CSF Monitoring Committee. Moreover, the case study in Chapter Six complements the assessment of the changes during the second programming period.

### *The Regions, and the introduction of the Prefectoral Self-government*

As pointed out in Chapter Four, the first programming period was concluded without any steps taken towards empowerment of the Regions despite the relevant -informal- commitments of the Greek government, the pressures exerted by the Commission, and the comments in the Evaluation Reports regarding the difficulties posed by the incapacity of the Regions in the management of the ROPs. Similarly, the long-due decentralisation of powers with the establishment of self-government at the prefectoral level had not come into effect. In 1994, the first year of the 2<sup>nd</sup> programming period, PASOK had succeeded New Democracy (ND) in government and announced its intention to proceed with the introduction of the prefectoral self-government. This development was going to signal a significant change in the status of the Regions as well, although as shown below, it should not be interpreted as 'empowerment' of either tier. Moreover, as explained below, this change can be fully understood only in the context of European integration although not directly dictated by it.

As already shown in Chapter Two, the attempts to establish the prefectoral self-government dated back to the 19<sup>th</sup> century. Electoral - clientelist considerations related to resource and power distribution by the appointed Prefect

had been hindering this reform. The application of the IMPs and CSF 1989-1993, despite the creation of the Regions, had not reduced the influence of the Prefecture, resulting precisely from its function as resource dispenser and locus of clientelist networks.

Indicative of the reasons why the reform was delayed is the following statement by I. Kefalogiannis, (Conservative (ND) Minister for the Interior in 1992, interviewed on the establishment of the Prefectoral Self-government. As he pointed out, the reform would create *"very big problems...it alters the administrative structure of the State, and calls in question an institution, the institution of the MP, the representative of the Nation"*.<sup>1</sup> This statement leaves no doubts as to the MPs' apprehension of losing power to a lower level of elected authorities, of loyalties being transferred to or shared with an intermediate tier of government vested with the popular mandate, in short, of losing electoral clientele to the directly elected prefectural authorities.

Finally, it was the government of the Panellenic Socialist Movement (PASOK) that passed Law 2218/1994 on *"Introduction of prefectural self-government, amendment of the provisions on local self-government and the region and other provisions"*, which allotted far too many competencies to the elected Prefectoral Authorities and therefore caused strong reaction. Opposition ND's criticism focused on risks posed by the new law for national security, as Moslem Prefects could be elected in northeastern Greece. However, strong reactions even within the ruling party (PASOK), a reflection of the antagonism between the *palaiokommaticoi* (old-style politicians) and the *modernisers*<sup>2</sup> suggest the strong

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<sup>1</sup> Emphasis added. See: Hellenic Agency for Regional Development and Local Government, (EETAA): Information Bulletin, Athens Oct.-Nov. 1992, No 21. p. 9.

<sup>2</sup> PASOK's decentralisation policies as a point of conflict between the *modernisers* on the one hand and the *palaiokommaticoi* on the other is treated in Christophilopoulou P. (1997), *"PASOK and Local*

tendency within both parties to retain political and administrative centralisation. More specifically, reserves of similar nature to those of the Conservative Minister in 1992 were expressed by members of the Socialist Cabinet, as PASOK MPs feared that elected Prefects might be an obstacle to their own re-election.<sup>3</sup> Among others, it was argued that Law 2218/94 transferred too many powers to the Prefectoral Self-government, and striped the Central government of powers, which it would not be able to recover.<sup>4</sup>

Following these reactions there was shortly an amendment of Law 2218/1994. Law 2240/1994, "*Amendment of provisions on Prefectoral Self-government and other provisions*", provided for the introduction of the so-called Regional Administration headed by the Regional Director<sup>5</sup>, a substitute for the old appointed Prefect, that would function in parallel with the new elected one at the level of the Prefecture. (The term *Regional* Director does not suggest the level of the Region). In other words, this was not a new tier *between* the Prefecture and the Region. It was simply the preservation of State control at the prefectoral level through a State appointee, which among others created confusion as to the competencies of the elected Prefect on the one hand and the Regional Director on the other. This development points directly to considerations linked to the Prefecture as an electoral constituency, since the Secretary General of the Region as a deconcentrated branch of the State could have taken over the competencies appropriate to State control. Among the competencies transferred to the Regional

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*Self-Government: Organisational Structure and Policies*". In Spourdalakis, M. (Ed), "PASOK: PARTY – State – Society". Athens, Themelio.

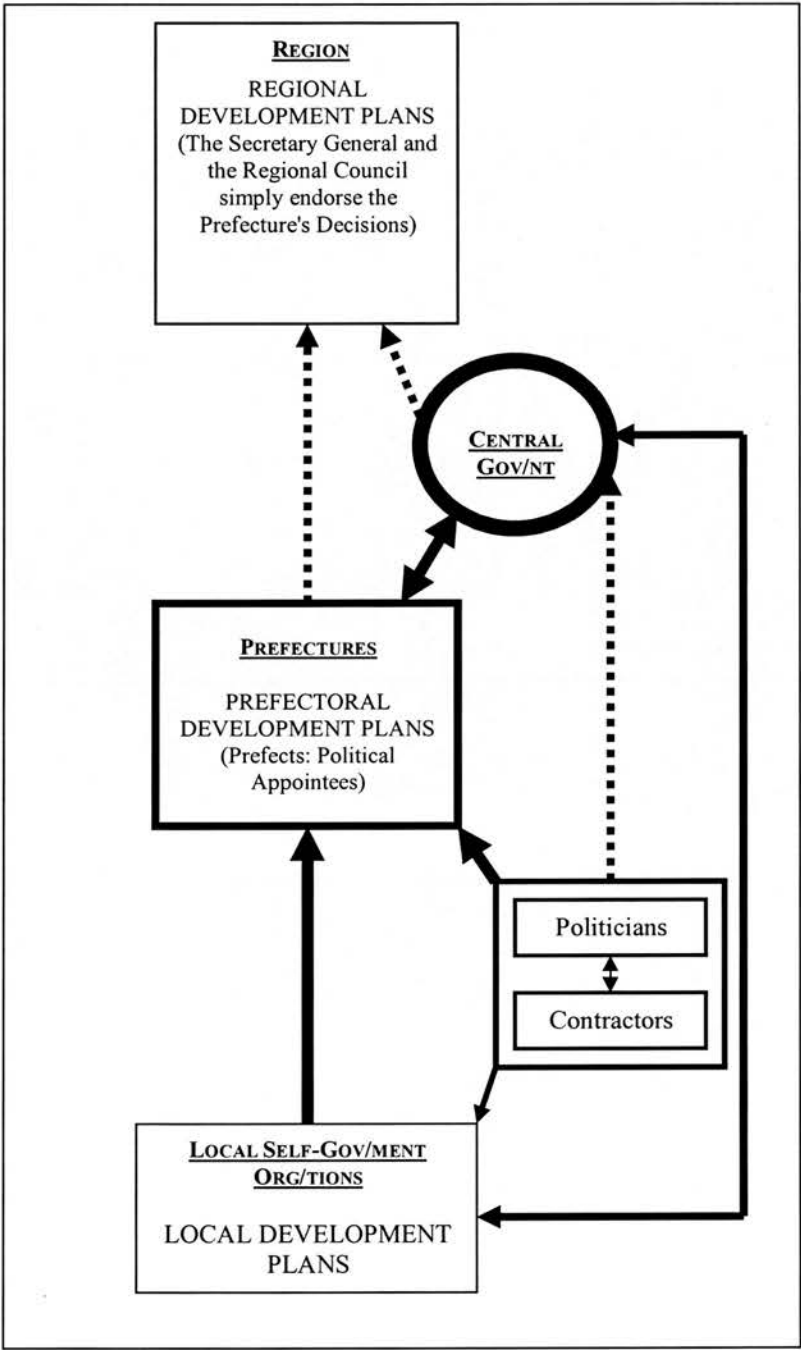
<sup>3</sup> Christopholopoulou, P. (1996), "*Prefectoral Administration and Self Government in the Greek Political System*". (In Greek), In GREEK REVIEW OF POLITICAL SCIENCE, VOL. 7, pp. 124-152.

<sup>4</sup> See Greek weekly "To Vima", Athens 28 August 1994, article under the title: "On installments the power to the Prefects". p. A4

<sup>5</sup> Art. 3 provided that the Regional Director would be appointed by the Minister for the Interior.

Director from the old Prefect was legality control of the acts of Local Self-government Authorities (LSGA).

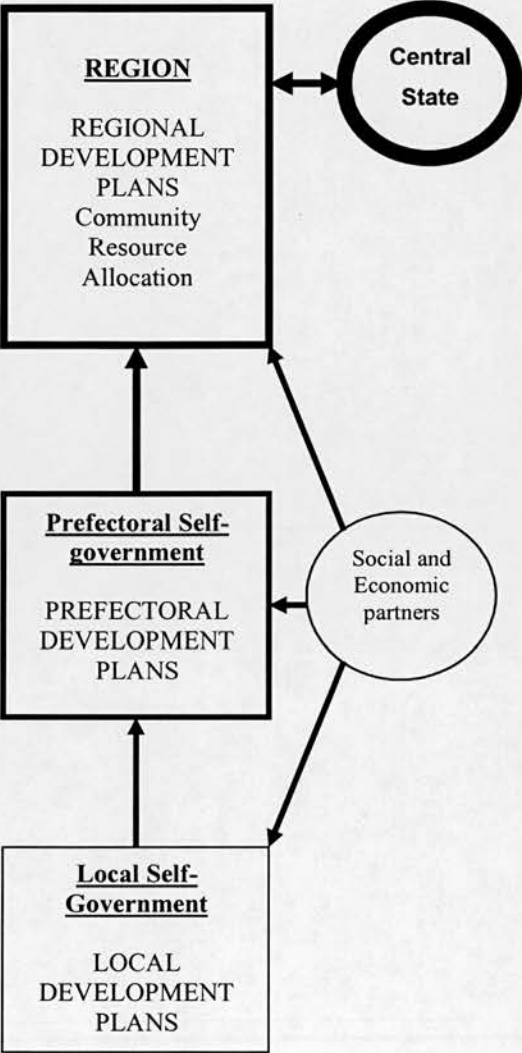
After a lot of friction between the elected Prefects and the appointed Regional Directors and continuous protests, the Regional Administrations were repealed and their competencies were transferred to the Regions. Additional competencies have been transferred from the Prefectoral to the Regional tier ever since, while some of the old Prefecture's competencies were devolved to the Local Self-government Organisations (LSGOs). Thus, a large number of the old Prefecture's powers were shared between the lower and the upper tiers. In terms of resources however, all three levels remained weak. In other words, while the introduction of the self-government at the prefectoral level on the one hand, and the devolution of additional competencies to the Regions and the LSGOs on the other might have signalled empowerment of sub-national tiers, in reality, it happened the other way round. All three tiers continue to suffer from lack of financial, technical and human resources. As regards the Regions in particular, to which additional powers are being devolved from the ministries in an effort to reduce the volume of work at the central governmental level, most often they are not in a case to carry out successfully the new tasks. As shown below, the supportive mechanisms implanted in the Regions aimed exclusively at facilitating the management of the ROPs, yet, under the control of the *Central State*. There has been an effort to promote also the developmental capacity of the LSGOs with the adoption of a new law on mergers discussed below, although the results have been poor until now. The PSG has suffered most of all three levels, as it has been undergoing a constant shrinkage in terms of competencies while it also suffers from lack of financial resources. Most significantly, the PSG has completely lost power in resource allocation. This is indicative of the intention to weaken the prefectoral tier which is not anymore part of the legal personality of the State and



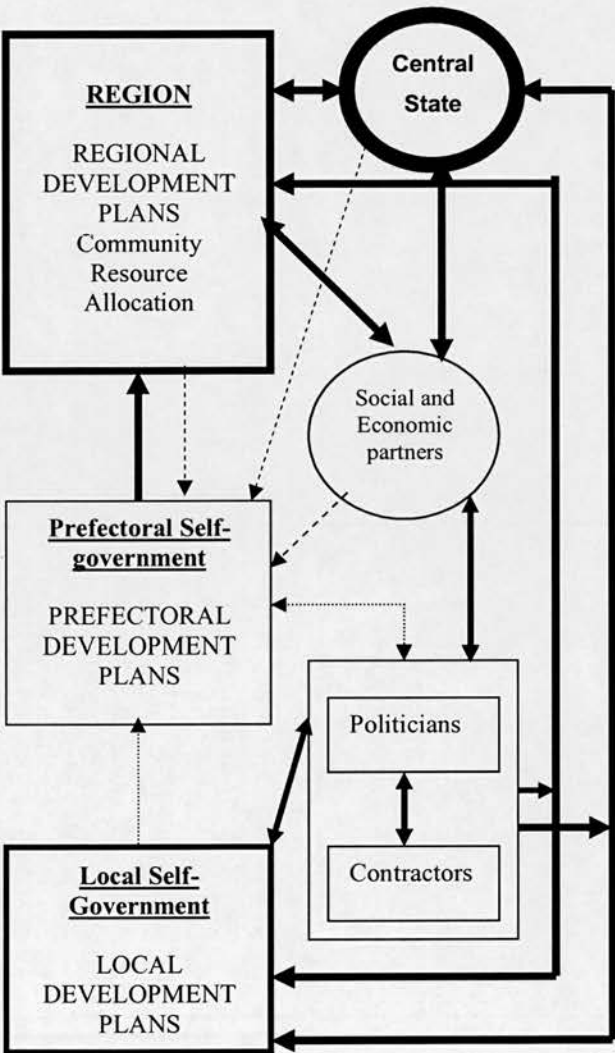


*Resource Distribution in the Context of ROPs after 1995*

Formal Procedure



Informal, Extra-institutional Procedure



After 1995 important decisions for ROPs are reached mainly at two sub national levels: Local Self-government and the Region. The latter is under strict surveillance of the Central State, which retains the ultimate power as to resource allocation.

therefore not under the latter's tight control, especially in cases in which the elected Prefects are not politically affiliated to the ruling party.

In order to better explain these developments the European dimension has to be introduced in the analysis. More specifically, one of the few important competencies left to the PSGs by Law 2218/1994, is the so-called Democratic Planning. This means that the PSGs are responsible for making proposals to the Regions regarding development plans. Formally, after submission of the Local Development Plans by the municipalities, the PSG aggregates and assesses the local proposals, and formulates the development plan of the Prefecture, which is submitted by the Prefect to the Prefectoral Council for discussion and approval. The Prefectoral Development Plan thus formulated is then forwarded to the Region. The Secretary General of the Region assesses in turn the four or five Prefectoral Development Plans –depending on the number of the Prefectures of each Region–, and submits the Regional Development Plans to the Regional Council for approval. The same process should be followed in all phases of the programming process, from initial project selection for the Regional Operational Programmes (ROPs) to their revision, which is an on going process as noted in Chapter Four. Consequently, the law assigns to the PSG a pivotal role in assessing local proposals and formulating the Prefectoral Development Plans, and therefore also in resource distribution.

However, once again the “*extra-institutional consensus*”<sup>6</sup> characteristic of the Greek political system is repeated here, depriving the PSG of real power and reducing dramatically its weight in regional policy process. In reality, the decisions are reached informally, mainly between the Region on the one hand and the LSGOs on the other. There are also contacts with the PSG but only in order to

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<sup>6</sup> See Chapter Two. The term is borrowed from Charalambis, D. (1989), “*Clientelist Relations and Populism: the Extra Institutional Concensus in the Greek Political System*”. (In Greek), Athens, Exantas.

assure that the Prefectoral Development Plan will coincide with what has been agreed between the LSGOs and the Region. Then, during the formal process, the Prefectoral Council approves the proposals of the Local Self-government Organisations (LSGOs) as submitted. In other words, the roles of the Region on the one hand and the Prefecture on the other have been reversed ever since the prefectoral tier became self-government. Similarly, the whole network of private interests i.e. contractors and engineers is now structured around the Region not the Prefecture anymore.<sup>7</sup> As pointed out by the Secretary General of the Ministry for Labour, the centralised, clientelist system has once more displayed a high degree of adaptability to new institutions and has simply undergone a mutation.<sup>8</sup>

In an illuminating article, P. Christophilopoulou, discusses and explains this system mutation. As pointed out, the Regions as part of the legal personality of the State are under its tight control. As a result, the resources managed by the Region are allocated according to the central State's choices and interests. The increasing importance of the Region is directly linked to fact that this tier is responsible for management of the Regional Operational Programmes (ROPs) under the co-ordination of the Secretary General of the Region. Owing to the fact that national resources are dramatically reduced<sup>9</sup> and therefore the investing power of the State is also diminishing, the ROPs, funded with 75% Community resources have become almost the only means for funding local public works, as the Prefectoral Programmes contain at best the constantly shrinking national contribution. On the other hand, the ROPs, like the old national Public Investment

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<sup>7</sup> Several Interviews with Ch. Palaiologos, S. Iatrou, S. Kopitsi during the period 1996-2001.

<sup>8</sup> Unsolicited interview with P. Christophilopoulou, Secretary General of the Ministry for Labour, Spring 1999.

<sup>9</sup> Owing to the due to the disastrous policies adopted during the 1980s. See OECD (1991), Economic Surveys: "*Greece*". Paris.

Programmes, remain lists of inarticulate projects and works responding to LSGOs basic needs as well as needs of other local actors.

Under the new circumstances the negotiation for project selection in the ROPs is transferred to the next level i.e. that of the Region. On the other hand, the Secretaries General of the Regions<sup>10</sup> try to apply YPESDDA's policies regarding funds allocation according to local needs. Just like the old appointed Prefects, some of the Secretaries General use their office to advance their personal schemes. Against this background, the Central State retains to a large degree control of resource distribution in the ROPs context, despite the Commission's warnings about the deficiencies of the Greek programmes.<sup>11</sup> As a result, the PSGs lost gradually their significance as centres of decision making in resource distribution, while new clientelist networks are built around the Region. In fact it is precisely the awareness on the part of the interested actors that due to Community programmes the Region was substituting for the Prefecture in resource allocation that made possible the introduction of Prefectoral Self-government. Furthermore, Christophilopoulou points to the new clientelist networks structured between the Regions on the one hand and the Ministry for National Economy (YPETHO) on the other, because of the latter's co-ordinating and distributive role in the CSF.<sup>12</sup>

There are three significant points in the discussion above: **a)** Preservation of the clientelist centralised State and even shift of the whole system of resource allocation for local development to a level closer to the Centre. **b)** Apart from preservation of centralisation of power in bodies directly controlled by the State

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<sup>10</sup> Directly answerable to the Minister YPESDDA.

<sup>11</sup> Christopholopoulou, P. (1996), *supra*. The connection between the political ambitions of some Secretaries General and project selection for ROPs has been pointed out in interviews with European Commission officials too.

<sup>12</sup> *Ibid*

and concentration in the sense that there has been a shift to upper governmental tiers, there is also *concentration at the same level of government*,<sup>13</sup> as YPETHO accumulates power and increases its influence owing to its co-ordinating role in the implementation of the CSFs. This has changed the balance of power among YPETHO on the one hand and other Ministries, e.g. YPESDDA on the other. c) Most importantly, the above developments have come as a result of the application of the Community Regional Policy.

*The clauses of the 2<sup>nd</sup> CSF regarding administrative reforms and their introduction*

The implementation of the first CSF yielded disappointing results. The main problems were connected to the managerial and organisational incapacity of the Regions an issue related also to centralisation of competencies at the ministerial level, and the production of public works. Both issues were negotiated between the Commission and the Greek authorities in light of the 2<sup>nd</sup> programming period. As a result there were specific clauses agreed upon and included in the final document of the CSF referring to the introduction of a Management Organisation Unit (MOU) and the improvement of the public works production system. It was stipulated that both measures would be in operation the latest by 1 January 1995.<sup>14</sup> MOU creation was quite delayed, while the Joint Steering Committee (JSC) which was assigned the public works production reform was set up in 1995. MOU, a private company under YPETHO's control, was staffed with public and private personnel, while the JSC was a sub-committee of

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<sup>13</sup> See above, Chapter Two, section: *The Organisation of the State – Constitutional and Legal Arrangements. -Definitions.*

<sup>14</sup> European Commission (1995), *“Greece, Community Support Framework 1994-1999”*, p. 118.



the CSF Monitoring Committee and its staff was recruited entirely from the private sector. In relation to the Commission's preference for private actors it was pointed out, that "*for the Commission anything public in Greece was bad*".<sup>15</sup> Both institutions were repealed at the end of the 2<sup>nd</sup> programming period following the establishment of the Management Authorities for the 3<sup>rd</sup> CSF.

### *Management Organisation Unit (MOU)*

The introduction of MOU has been widely reported as the result of Commission's pressure on the Greek government. However, its establishment and evolution reveals also YPETHO's anxiety to retain a tight control over the Programmes. Undoubtedly, the Commission aimed at redressing the problem of lack of specialised and competent personnel of the Regions, while at the same time, a unit designed and introduced at the Commission's initiative and funded with Community resources was expected to ensure the latter's tighter control of the programmes. Accordingly, it has been argued that this was connected to considerations of efficiency mainly, although it is also suggestive of a tendency on the part of Commission to enhance its role. Owing to a number of factors ranging from overlapping competencies with other actors in programmes application,<sup>16</sup> to power conflicts with actors of the Ministries, and moreover its partial absorption by traditional patterns, MOU, despite a good start failed in the end to consolidate its position.

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<sup>15</sup> Interview with M. Antoniou, YPETHO official, October 1999.

<sup>16</sup> The CSF clauses provided that the Programme Managers would continue to operate in parallel with the MOU units, during a transition period.

It was founded in 1996 by Law 2372/96 *"Establishment of agencies for acceleration of the developmental process and other provisions"*, and was financed by 1994-1999 CSF "Technical Assistance" Operational Programme.

The role of a M.O.U. Project Team consisted in:

- Locating in good time problems in the application of the Operational Programmes
- Working out and propose to the political authority responsible for the application of a specific programme corrective actions
- Monitoring the implementation of corrective actions
- Assisting the implementing authority in concluding successfully application of the operational programme.

MOU staff was recruited among experienced and qualified civil servants but also qualified personnel from the private sector. The fact that most of those employed were civil servants was used by opponents of MOU to support the argument according to which, the issue of managerial deficiency could be tackled from within the public administration, without having to introduce an external body subject to the Commission's control. By 1998 there were ten MOU units in total. Six of them were established in the Regions, while M.O.U. network expanded gradually to 21 units covering all the Regions of Greece and some Ministries. The overall goal sought was to establish a single, unified, management, monitoring and reporting system for the CSF's Operational Programmes through the introduction and operation of new tools, which were expected to diffuse a new logic in the programming, implementation and monitoring of programmes.

The idea was to rationalise the operation of this new body to such a degree that staff could be replaced while continuity and consistency were preserved. This idea very close to the Weberian model, on the one hand would ensure rational operation of MOU and of the administration of the Funds. On the other hand, it has been argued that it would facilitate control of the unit by either the Commission or YPETHO.<sup>17</sup> Such has been the conflict over control of MOU that although it was supposed to have been set up by 1 January 1995, it finally started functioning nearly two years later, and then again only when the Commission threatened to discontinue Technical Assistance funding unless the Greek Authorities complied with the relevant clauses of the CSF. Resistance was located mainly in YPETHO administrators, who despite the below cited explicit reference in the relevant clauses of the CSF, feared that MOU would strip them of considerable powers, as it would intervene between them and the various actors in the application of the Funds. It is characteristic that even after the central MOU was set up and started recruiting staff for the regional and sectional units, actors of the central government did not abandon the idea of repealing the institution.

The phrasing of the relevant clauses in the 2<sup>nd</sup> CSF is indicative of the motives of the various actors in MOU introduction: *"In order to ensure the successful implementation of the 1994-99 CSF, a special CSF Management Organisation Unit (MOU) will be created under the guidance and control of the Ministry of National Economy, but external to its civil service structure. The legal status of the Unit must be such that, although it avoids the administrative and economic constraints characterising the Greek civil service, it maintains and enhances the supervisory and co-ordinating role of the Ministry of National Economy"*.<sup>18</sup>

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<sup>17</sup> Interview with I. Nikolaidou, May 2000.

<sup>18</sup> Emphasis added. European Commission (1995), *"Greece..."*, *supra*, pp. 117-118.

The emphasis on the role of YPETHO, a result of the negotiations with the Commission leaves no doubts as to the preoccupation of YPETHO to retain control of the programmes, vis-à-vis both the Commission and the national agencies. It was argued that the Commission literally imposed MOU on the Greek Authorities, due to the latter's low negotiating capacity<sup>19</sup>, a factor mentioned before in relation to the Commission's strong interference.<sup>20</sup> All actors interviewed agreed that MOU creation aimed at ensuring the Commission's tight control over the implementation of the CSF, because it did not trust the Greek public sector's efficiency. The general tendency towards the use of private actors in the management of the CSF reflects precisely the Commission's distrust of the Greek public administration.<sup>21</sup> On the other hand, it has been argued that MOU was created not only because of the Commission's pressure, but also because a certain circle of YPETHO officials aspired to control it and through it the programmes. When they realised this was not possible they adopted an antagonistic attitude towards it.<sup>22</sup>

There were power conflicts due to the establishment of MOU units in the Regions, because they were seen as –and indeed were– ‘outsiders’ not controlled by the Secretaries General of the Regions but by YPETHO and the Commission. Indicative of these attitudes are statements made during a CSF Monitoring Committee meeting, by Secretaries General of Regions. There were concerns that the external matrix would in fact substitute for the Public Administration. It was argued that in fact, MOU was composed mainly of knowledgeable civil servants

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<sup>19</sup> Interview with N Papadodimas, General Director of YPETHO, May 1999.

<sup>20</sup> See above, Chapter Four.

<sup>21</sup> Interviews with N. Nikolaidou, M. Antoniou, N. Papadodimas, during the period 1999-2001.

<sup>22</sup> Interview with M. Kassotaki, Director of the Regional Development Fund of the Region of Crete, and YPESDDA official, May 1999.

and only a few private specialists, which meant public administration was capable of addressing the issue of everyday monitoring of the implementation. It was pointed out that these external mechanisms might take over becoming themselves another "State".<sup>23</sup>

In defence of the MOU, I. Plaskovitis the Secretary General of YPETHO, argued that the intention was not to replace the civil services, but to implant MOU units in services where "*something already worked*", and this was done. The cases whereby it did not work, were those in which nothing worked previously. It is characteristic that the comments of the representative of the Commission in the same meeting were really enthusiastic regarding MOU. She announced the Commission's intention to examine establishment of MOU units in other programmes too, pointing to the need of raising the relevant budget.<sup>24</sup>

One year later, in a meeting held in YPETHO, participants included high ranking officials of YPETHO, YPESDDA, the Ministry of Finance, the Directors of the Regional Funds for Development, the Directors of Planning and Development of the thirteen Regions, as well as General Directors of Regions. The meeting was held with view to locating problems and finding solutions concerning the RDFs which had just started operating at an experimental level. During the meeting, the issue of MOU was brought up. The General Director of one of the Regions, a former member-staff of YPESDDA, argued that if it were not for him, control of

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<sup>23</sup> Statement by D. Kaloudiotis, Secretary General of the Region of Epirous. Minutes of the CSF Central Monitoring Committee Meeting, 27 May 1998.

<sup>24</sup> Statement by H. Jankowski, Commission Representative, *ibid.* These comments on the new institution reflect the various attitudes of the actors involved in programmes application and their interests. The stance of the Commission's Representative is easily explained. Similarly, the Secretary General of YPETHO belonged to the political personnel that had negotiated and agreed the introduction of MOU. Moreover, he was aware of the need to address the deficiencies of the public sector and open to solutions involving private actors. As he pointed out, it was precisely the domestic system's weakness that caused Commission's interference. Interview with E. Plaskovitis, October 1999.



the Region would have passed to MOU staff, who were apparently in bad terms also with the Secretariat of the Monitoring Committee of the Region. He suggested that MOU's powers were restricted because its intervention in the implementation of the ROP "*made a mess of everything*", adding that if it were not for his presence in the Region, "*everything would have fallen apart*", explaining that power would have been lost to the MOU.<sup>25</sup>

This attitude is easily interpreted if seen in the following context: the General Directors of the Regions are appointed by YPESDDA and known for their loyalty to the ruling party and the officials that appointed them. Some of them belonged to the staff of the ministry before they got their current position. As expected their loyalties lie with the Ministry rather than with the Region. In this specific case, the General Director of the Region, a former high ranking civil servant of YPESDDA, spoke as the representative of the Central State, and the guardian of the latter's interests in the Region, warning his colleagues at the central level that their powers were in jeopardy because of MOU's presence.

Law 2860/2000 provided for new institutions regarding management of the 3<sup>rd</sup> CSF. One central and twenty four regional and sectional Managerial Authorities were set up, responsible for the management of the CSF, in which the MOU keeps only a supportive, rather marginal role.

One more point should be made: apart from frictions with central level actors and regional actors whose loyalties lay with the Central State, there have been cases of antagonism for jurisdiction with the maintained Programme Managers, and with the below discussed Technical Consultants. These power struggles occurring *within* the Region among actors *answerable and/or loyal to the*

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<sup>25</sup> The meeting was held in YPETHO, on 20 May 1999.

*Central State* reveal the degree of control exerted on the Region by Central State and private agents in relation to and on account of Community programmes.

*The Joint Steering Committee for Public Works and the reform of the public works production system.*

As noted in Chapter Four, at the end of the first programming period there was a large number of unfinished infrastructure projects, owing to the flaws in the system of public works production. The Commission decided that it was necessary to change the legal framework regarding public works and it was because of the Commission's persistence that specific clauses were negotiated and included in the 2<sup>nd</sup> CSF.<sup>26</sup> The restriction of changes in the technical and economic objects after the adjudication which, as shown in Chapter Four have been wide spread practices, was deemed among the most urgently needed measures.<sup>27</sup>

- *The Joint Steering Committee (JSC) for Public Works*

It was established in January 1995 at the Ministry for National Economy, as a sub committee of the CSF Monitoring Committee (CSF - MC). It was composed of officials of the Ministry for Public Works (YPEHODE), Commission officials and one YPETHO member-staff as the Secretary of the Committee. Despite the overwhelming presence of YPEHODE officials in JSC, interviewees have pointed to YPETHO's pre-eminence -as compared to YPEHODE- in enhancing the Committee's action. It was argued that JSC and the measures adopted on its

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<sup>26</sup> Interview with H. Helmi, European Commission official, November 1997.

<sup>27</sup> European Commission, (1995), *"Greece Community Support Framework 1994-1999"*, p.117.

recommendation, illustrate primarily the Commission's dynamic intervention, but also YPETHO's intention to ensure firm control of the programmes, in the context of its antagonism with YPEHODE.<sup>28</sup>

Analysis here will focus on three innovations introduced after JSC's proposal as the most illustrative of the challenge of the existing arrangements, although the Committee's task covered a much wider area.<sup>29</sup> The new form of Technical Fiche (TF), a tool for project selection, and the Ministerial Circular No 2/96 on budget under-estimation directly clashed with the traditional public works production system. The Technical Consultants, experts hired by YEPHOTO, were established in the Regions to see to it that the TFs and the Ministerial Circular were applied.

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<sup>28</sup> Interview with M. Antoniou, YPETHO official. October 2000.

<sup>29</sup> *The Institute of Construction Economy (ICE)*, was created with view to collecting, processing and evaluating information related to the construction activity, of both the public and the private sectors of the economy, as well as the research and study on the qualitative production of manufacturing materials and products, their costing, the manufacturing methods followed and the qualitative and quantitative sufficiency of the available resources and means, so that the projects are implemented according to the initially determined cost, time and quality. The JSC elaborated and submitted the relevant proposals to the competent Ministers.

*The Monitoring Unit on Public Procurement (MUPP)* was introduced as an independent mechanism for public work and service contracts, aiming to provide technical assistance on public procurement for works and services and to achieve a timely preventive and corrective control of project tendering and awarding, subject to the national and Community legal framework. Significantly, it was appointed and supervised by YPETHO, although its action falls within the field of YPEHODE. The main aim has been to identify deviations from the Community Law and, by adopting the appropriate measures, to prevent complications in the PW contract awarding and implementation procedures, recourse to the European Court of Justice and friction with the European Commission. It carried out control of the pre-contractual stage of public contract awarding as well as controls during the contractual stage, pursuant to the requirements of the Community Law. It has drawn up reports on the controls carried out, submitted to the Ministry of National Economy, and to the Chairman of the CSF Monitoring Committee. Source: YPETHO (1998), "*Joint Steering Committee's action report*". Unpublished document.

As characteristically stated by an YPETHO official, the CSF is a “*loose piece of legislation*”<sup>30</sup>, a form of soft law allowing for individual action. The introduction of the Technical Fiche, the Circular No 2 and the Technical Consultants has been the result of the work of Commission officials<sup>31</sup> with the tolerance of YPETHO. Moreover it reveals competition between YPEHODE and YPETHO. It is characteristic that although public works fall within the former's competencies, the latter tried to substitute for it with the adoption of the above tools. This stance is explained if it is considered that the two Ministries approach planning from two different points of view. More specifically, YPEHODE's logic in selection of projects is to select the projects first and then secure the necessary funds. On the other hand, YPETHO owing to its responsibility before the Commission for implementation of the CSF is obliged to adopt the Commission's proposals often regardless how strict they are, in order to ensure efficiency of the programmes.<sup>32</sup>

- *The new Technical Fiche*

Project selection had been for a long time among the most serious preoccupations of the Commission in the Greek CSFs. Greek officials of DG XVI were aware of the clientelist practices and sought a means to address the issue.<sup>33</sup> The TF, like all the reforms concerning public works has been principally their idea. The majority of the national actors, resented its adoption even by YPETHO officials, the Ministry which has promoted all the relevant reforms. As argued,

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<sup>30</sup> Interview with M. Antoniou, October 2000.

<sup>31</sup> The inception and introduction of the three innovations discussed here have been connected mainly with a Greek official of the Commission, who seems to have played a predominant role in this process.

<sup>32</sup> *Ibid.*

<sup>33</sup> Interview with G. Giannoussis, European Commission, November 1997.



there has been great pressure on the part of the Commission for the introduction of measures and institutions that had not been explicitly included in the CSF and thus were not part of the official agreement between the Commission and the Greek Government. The new forms of Technical Fische, far more sophisticated than those already in use since the IMPs have been one instance of this.<sup>34</sup> In order to better understand the significance of the innovation the following should be considered: the T.F. forms are fundamental programming tools. They *describe* the works and projects eligible for inclusion in a ROP, i.e. they *do not simply contain instructions* as to how they should be filled in or how the project should be monitored. They also include *guidelines as to what projects and works should be selected to be included in a programme*. In other words, they interfere directly in programming, the most important phase of the application of a ROP.

There are several dimensions here: the most important is related to the catalytic effect the TF has on clientelist practices, and therefore the challenge it represents for traditional opportunity structures. It suggests that project selection cannot anymore serve as a means of preservation of the status quo in the process of resource allocation for local programmes. Secondly, this tool was imposed by a supranational actor, which made more crucial the legitimacy issue to those affected by its introduction. It has been seen as a violation of the principle of proportionality and a blow to national sovereignty.<sup>35</sup> Moreover, although the same views were shared by national administrators at all levels, regional and local political and administrative personnel have seen it as an authoritarian action on the part both of the Commission and YPETHO, as application of the TF was controlled by the Technical Consultants,<sup>36</sup> YPETHO's employees.

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<sup>34</sup> Interview with M. Antoniou and I. Nikolaidou Autumn 2000.

<sup>35</sup> Interview with A. Kritikos, Secretary General of the Region of Attica, Autumn 1998.

<sup>36</sup> Discussed immediately below.



Furthermore, the regional and local partners were not consulted on its introduction.<sup>37</sup> It was introduced towards the end of 1995 first in the Regions, because it was mainly meant to address the chaos created by clientelist practices in the ROPs.<sup>38</sup> The elaboration of these forms was entrusted to three private companies, which also circulated the first copies to the Regions unaccompanied by any official governmental document. In the seminars organised with view to presenting and explaining the use of the TF, it was a Commission representative that addressed first the implementing agents attending the seminars.<sup>39</sup> On the whole, from inception to final introduction, the TF has been the product of supra-national and private actors, with the tolerance of the political leadership of YPETHO.

- *Ministerial Circular No 2/1996*

On JSC recommendation, a series of legislative measures were adopted to tackle the issue of repeated budget revisions. As discussed in Chapters Two and Four, this has been a traditional practice facilitated by the national legal framework.<sup>40</sup> The 50% increase of the physical object during the implementation

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<sup>37</sup> Interview with M. Antoniou October 2000.

<sup>38</sup> Interview with G. Giannoussis, European Commission official, involved in TF introduction from its inception, November 1997.

<sup>39</sup> Interviews with M. Antoniou, YPETHO official, and I. Nikolaidou, MC Secretariat of ROP Attica. As pointed out by the Secretary General of YPETHO, the elaboration of the TF had to be assigned to private agents owing to lack of know-how on the part of YPETHO. This was attributed to the endemic pathology of the Greek public sector, such as non-meritocratic criteria in YPETHO staff employment, and absence of continuing education for civil servants. Interview with E. Plaskovitis, Secretary General of YPETHO, November 1999.

<sup>40</sup> Law 1418/84 "Public Works and related matters".

of the works, apart from creating problems in funds absorption and programmes efficiency, it also involved in reality direct award of contracts in violation of the Community Directives. There is no doubt that the issue should be addressed in a drastic manner, but the solution adopted finally was rather provocative.

According to the Greek Constitution, a piece of legislation can be repealed only by another piece of legislation adopted by the Greek Parliament. On the other hand the national authorities must apply Community Law. Community Directives on award of public works contracts, while prohibiting fragmentation with view to direct award of contracts, do not prohibit budget revisions during implementation. The issue was addressed in Greece initially with adoption of Law 2338/1995, prohibiting budget overruns for contracts awarded after 14 October 1995, the cost of which was equal or exceeded 5.000.000 ECU.

On 15 June 1996, after pressure from the Commission, with YPETHO's tolerance and on JSC recommendation, the Ministerial Circular No 2 was issued, on *"Approximation or/and finalisation of the economic object of contracts and works co-financed by Community resources, not subject to the provisions of Law 2338/1995"*. The Circular dealt with budget overruns of contracts of less than 5.000 .000 ECU, i.e. it amended Law 1418/1996, covering the transition period until a new law was adopted by the Parliament. Pursuant to the Circular, budget revisions for the above category of projects were prohibited. Moreover, for projects already under construction, contractors should submit within four months the latest a report with the final cost required for the completion of the project, or if this was not possible, of a part of the project functional in itself, or, at least, of a group of works that ensured satisfactory completion of the project. The above should be achieved without increase of the initial cost or of the last '*Comparison Table*'.<sup>41</sup>

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<sup>41</sup> Table with details of the revised cost, used until then for budget revision during implementation.

As expected, there were fierce reactions and great confusion among the agents involved in public works production. The pattern followed until then was brought up side down with the Circular. One of the most common arguments has been that a Ministerial Circular came to repeal a law, which is infringement of the Constitution. Animosity was even greater because the Circular was imposed by the Commission. By the end of February of the same year, i.e. nearly six weeks later, Art. 4 of Law 2372/1996 adopted by the Parliament annulled the so-called '*Comparison Tables*'. Budget revisions were permitted strictly for additional works which became necessary due to unforeseen circumstances of extreme urgency.

In short, the formal process whereby a law is first adopted by the Parliament and a ministerial circular follows with instructions about its application was reversed in this case. It has been argued that the practical results would have been the same even if the formal process had been followed, which is true. It is also true that the chaos resulting from persistence of traditional practices should be terminated. It is not clear why the formal process was not followed instead, in which case at least appearances would have been saved. Research has revealed that the role of Greek officials of the Commission as responsible for this development is much resented. Most often it has been argued that patterns deeply rooted in culture do not change abruptly only because some formal measures are introduced, and that non-Greek Commission officials have always shown more understanding for cultural embeddedness of domestic institutions than their Greek colleagues.<sup>42</sup>

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<sup>42</sup> Interviews with P. Skoteiniotes, Prefect of Magnesia, June 2001. YPETHO officials and members of ROP Attica Secretariat, April -June 2001.

- *Technical Consultants*

This was a support mechanism created specifically to assist the management, planning and implementation of public works projects of the ROPs, in short, the measure was addressed to the Regions in light of their organisational and managerial inadequacy. Only later and after a lot of resistance it was also introduced at the central level, i.e. in Operational Programmes monitored by Ministries and other central government agents. This mechanism consisted in 66 jobs in total, staffed with private civil engineers. Their task involved examination of the TF forms in order to judge the eligibility of the projects and suggest to the Secretary General of the Region which projects should be selected for the ROP. Small groups of Technical Consultants were established in the 13 Regions, and in most cases were very badly received by the Secretaries General and the civil servants. They were seen as outsiders, agents of YPETHO, who limited the authority of the Secretary General. There have been cases in which, for a long time, they were not even allowed a desk.<sup>43</sup> It took nearly one year and a half before they were finally accepted by the political and administrative personnel of the Regions.<sup>44</sup> As characteristically pointed out by a Secretary General, "*this is a form of para-administration that takes decisions in the name of technocracy, which then I am expected to endorse*".<sup>45</sup>

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<sup>43</sup> Interviews with Technical Consultants, Spring 2000.

<sup>44</sup> Minutes, CSF 1994-1999 Monitoring Committee Meeting of 31 October 1997.

<sup>45</sup> Statement by G. Moutsopoulos, Secretary General of the Region of Western Greece. *Ibid.*

- *The response of the system*

The above three innovations were expected to alter the patterns of public works production, which had a detrimental impact on programme efficiency. It was precisely awareness of the repercussions of the existing arrangements on the developmental process as a whole that had produced the reforms. As stated by a Commission official early in 1995, "*the system of public works production is stifling progress in this country*".<sup>46</sup> On the other hand, national political actors realised that the problem was not simply a question of reforming the legal framework and the public sector. More specifically, as argued by the Deputy Minister of YPETHO during the same period, acquisition of know-how on the part of the civil servants was not enough. The social partners should realise that it is not only the public sphere and the government's fault when things do not work, the social partners are to blame as well. It should therefore be realised that there was a need for a new concept of development and departure from the logic of basic infrastructure projects as an idea of economic development.<sup>47</sup>

In other words, the Deputy Minister was aware of the role of the civil society in the reforming process, as analysed above in Chapter One in relation to application of Directives. In this specific case, the statements regarding basic infrastructure projects as the dominant concept of economic development among social partners indirectly suggested the interests aggregated around and sustained from public works production system, pointing to the difficulty to achieve reform unless private actors' mentality changed as well.

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<sup>46</sup> Statement by S. Gaudenzi, Commission representative, Minutes of CSF1994-1999 MC meeting, March 1995.

<sup>47</sup> Statement by G. Romeos. See minutes, *ibid*.



Indeed, in May 1998, while all three tools had been in operation for nearly two years, according to a JSC report on project maturity in ROPs as reflected in the forms of the new TFs, projects were finally selected for the ROPs either with defective studies or without studies at all. Indicatively, 35% of the projects selected for the ROPs in 1997, were accompanied by studies of which only 25% were found eligible when examined, while during the first three months of 1998, only 15% of projects examined for final selection met the requirements. These percentages which differed from one Region to another, reflected the old problems of budget revisions.<sup>48</sup>

Moreover, Circular No 2 was applied only to 60% of the projects two years after the deadline it set had expired. As stated by the President of the JSC, the percentage of the projects finalised within the limit of the initial cost as stipulated by the Circular was very small, which meant that additional resources were required for the completion of the physical object of the projects. Similarly, Law 2372/96, was only applied to a limited degree. For example, in 400 Financial Tables accompanying projects submitted, only 70 were found eligible.<sup>49</sup>

The JSC's report caused a lot of concern to the Commission. The Greek Government was warned that budget overruns resulting from infringement of law would be rejected as non eligible. In response it was pointed out by the Deputy Minister of YPETHO that improvement of the public works system was a difficult institutional reform which became even tougher because it ran parallel to the CSF implementation. As argued, the new legal framework may have well put formally an end to the old practices, however the big issue was non-compliance with it. *"The services, those who prepare the studies, and the contractors must acknowledge and*

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<sup>48</sup> Minutes, CSF 1994-1999 MC meeting, 27 May 1998.

<sup>49</sup> *Ibid.*

*accept the new regime, which clashes directly with well consolidated practices, but is the only way to improve and modernise public works production".<sup>50</sup>*

The discussion so far illustrates the main arguments put forward in this dissertation. The impact of opportunity structures embedded in culture on the outcome of the reform process is manifest. Similarly, the role of the Commission in the application of Community policies is outlined in its vigorous interference in the introduction of innovations, a role enhanced by the weakness of the Greek administrative system. The dependence of the Region on the Central State and the control exerted on it by Central State actors through the MOU and JSC Technical Consultants is obvious. The contribution of MOU and the Technical Consultants should not be underestimated. The majority of their staff were well qualified and willing to help. They certainly helped redress temporarily the Region's organisational and managerial inadequacy. However, this solution *did not in any way solve the big problem of the Regions' incapacity and dependence on the Central State. On the contrary it strengthened and consolidated the dependency bond.* Moreover, it may have remedy to some extent the inadequacy of the Regions, but did not change at all the situation at the lower tiers, i.e. the incapacity of the local and Prefectoral Self-government Organisations, that as implementing agents were and still are unable to monitor implementation of the projects, remaining as noted above *"at the mercy of the contractors"*. As correctly pointed out by the Secretary General of the Region of South Aegean, both MOU and JSC Technical Consultants help until the contract is signed. Beyond that point, the two tiers of self-government as implementing agents are in no position to carry out implementation of projects.<sup>51</sup>

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<sup>50</sup> Stated by G. Pahtas, Deputy Minister of YPETHO, Minutes, CSF 1994-1999 MC meeting, 21 July 1998. It was more over noted that *"miracles take time..."*, and it should not be expected to *"achieve a 20% improvement of the public works production simply with the introduction of a Circular No 2 and a few new laws"*.

<sup>51</sup> Statement by I. Yotakis, Minutes, CSF 1994-1999 MC meeting, 27 May 1998.

This issue was not solved with the LSGOs mergers discussed below. It may be too early to assess the result of this reform, however the point is that, at completion of this thesis, despite the slight improvement, the endemic weaknesses of the system at all levels persisted.

*The Regional Collective Decision of Action(RCAD) and the Regional Development Fund(RDF).*

Although Law 2218/1994 provided for the creation of the Regional Development Funds, legal personalities of private law, their introduction was delayed. As a result, the Regions relied on the Central Government even for remuneration of the personnel employed in them. Payments were made after the various Ministers signed the relevant decisions. Law 2503/1997 “*Administration, staff of the Regions, arrangement of issues regarding local self-government and other provisions*” repeated the relevant provisions. The introduction of the Regional Development Fund would activate at the same time the Regional Collective Decision of Action (RCAD), also provided for in the same Law, thus ensuring the Region’s financial self-sufficiency.

Among the competencies of the RDF would be management of Community funds and funds from other international organisations for development programmes. Its operation would avoid the rigidity of the existing time consuming system, allowing acceleration of project implementation, as the deconcentration of competencies transferred decision making about financial management at the Regional level. Under the relevant provisions, the Region would be able to even re-allocate funds from one project to another during ROP revision. Moreover, RDF operation would ensure transparency, since within the new legal framework payments are subject to control by State Accountants. In the

old system payments were the diffused responsibility of various civil servants, a process which posed considerable difficulties to efficient control, and which was often far from transparent. Nonetheless, while most of the other provisions of Law 2503/1997 transferring competencies to the Regions were enacted in 1997, the creation of the RDFs was delayed again. Research has unveiled a number of reasons as to why its introduction was delayed as well as why it was finally made possible.

The RDF was not a statutory obligation arising from Community legislation, and despite the pressures exerted until then by the Commission on the Greek authorities as mentioned in Chapter Four, deconcentration of competencies had not occurred. However, handling funds of a considerable size in the context of Community programmes was increasingly placing a burden on the institutionally weak Regions, while it also involved additional volume of work for the Ministries. The need to devolve powers increased precisely against this background. Therefore there is an indirect link between application of Community policies and devolution of financial management competencies to the Regions.<sup>52</sup>

Furthermore, application of Community Regional Policy (CRP) is related to devolution of financial competencies to the Regions in another sense. As noted in the previous section, YPETHO acquired additional powers owing to its overall responsibility for the implementation of the CSFs. On the contrary, the influence of YPESDDA on the Regions has been diminishing precisely because of YPETHO's predominance in the application of the ROPs. Despite the apparent unwillingness of YPESDDA bureaucrats to devolve powers to the Regions, an attitude shared with the other Ministries, it was finally this Ministry that promoted the reform. It

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<sup>52</sup> Unsolicited interview with Ch. Daoussi, Special Consultant to the Minister for the Interior, Spring 2000 and M. Exarhos, Special Consultant to the Secretary General of the Region of Thessaly, July 2000.

was -wrongly- thought that by empowering the Regions, their dependence on YPETHO would be reduced, and therefore the balance of power between the two ministries would be somehow restored.<sup>53</sup> In particular, the increasing influence of YPETHO on the Secretaries General of the Regions, as well as on the Mayors, meant that YPESDDA was constantly losing control of sub-national tiers to YPETHO.<sup>54</sup> It has been argued that before membership and in particular before 1988, the Greek State was extremely centralised. However, all the Ministries shared centralisation of power. Owing to the management of the Funds, competencies and power are being increasingly concentrated in YPETHO, and more specifically in the hands of the Deputy Minister who is the President of the Monitoring Committee of the CSF.<sup>55</sup> This development explains the fact that while YPESDDA promoted the RDF introduction, YPETHO was in against it.<sup>56</sup>

On the other hand, the introduction of the RDFs is illustrative of the validity of the actor-centred approach in the process of reforms. More specifically, the establishment of RDFs was greatly advanced by the joined efforts of a member-staff of the Region of Thessaly and the Secretary General of the same Region. As Responsible for the sub programme "Implementation" of the ROP Thessaly, this member-staff was aware of the advantages drawn by flexible mechanisms which bypass the rigidity and subsequent delays of the Public Accounts System, and was also able to identify the usefulness of a tool such as the RDF. Apart from the fact that the process of payments would be accelerated facilitating implementation, there could be far reaching consequences with regards

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<sup>53</sup> Unsolicited interview with Ch. Daoussi, Spring 2000.

<sup>54</sup> Interviews with Ch. Daoussi, and G. Kominatos, YPESDDA official, Spring 2000.

<sup>55</sup> Interview with YPESDDA official.

<sup>56</sup> Unsolicited interview with Ch. Daoussi, Spring 2000.



empowerment of the Region: through the RDF, the latter would be able to pursue co-operation directly with the Commission, as well as with other Regions at the European level, bypassing the bureaucratic obstructions of the Central Government. These ideas were enthusiastically accepted by the Secretary General of the Region. He systematically lobbied the political personnel of the Ministry for the Interior where he found an ally in the Secretary General of the Ministry. After long negotiations with the political and administrative personnel the RDF was finally introduced.<sup>57</sup>

It was established initially only in the Region of Thessaly as a pilot project, and immediately after at three other Regions at an experimental level. Certainly, there have been reactions at the central level which were expected. The new institutions (the establishment of the RDFs involved the immediate activation of the RCADs) met with resistance on the part of political and administrative personnel of the Ministries again owing to power considerations. It is characteristic that certain Ministries (e.g. the Ministry for Culture), did not abolish their individual CAD which means they did not devolve financial competencies to the Regions.<sup>58</sup>

Nonetheless, the centralised tendencies of actors in the Ministries have not been the only or the most serious problem. The usual improvisation characterising policy making in Greece has been to a large degree responsible for the failure of the RDFs to transcend the traditional rigidity of the public sector, and provide a flexible tool for the needs of regional policy process. When drafting the relevant law, the Secretary General of YPESDDA did not take into consideration the complexity of the Public Accounts System. She was rather eager to establish the

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<sup>57</sup> Interview with A. Heliopoulou, member-staff, Region of Thessaly, July 2000.

<sup>58</sup> Interview M. Exarhos, Special Consultant to the Secretary General of the Region of Thessaly, July 2000.

Fund so that the Regional Collective Decisions of Action stipulated by Law 2503/1997 could be activated. YPESDDA officials tend to believe that she might have foreseen the ensuing problems, but she was determined to have it established and solve the problems on the way. After the relevant Law was adopted, the General Accounts Authority intervened pointing out that this was a Private Law Entity and could not manage public money without the usual legal controls. New controls were introduced making the system complex. As a result, the following paradox was produced: while the creation of the RDF was expected to surpass the rigidity of the Public Accounts System, it ended up by simply being another Public Accounts System only this time even more complex than the existing one. The situation was aggravated by the “security dilemma” of the actors involved in its operation in the Regions.<sup>59</sup> At completion of this dissertation, the RDFs were considered to have failed their purpose of furthering the Region’s capacity.<sup>60</sup>

### *The LSGOs mergers.*

The inability of the LSGOs to respond to their tasks as implementing agents of projects -which involves supervision of the contractors-, especially in the context of the Community programmes as described before, was coming increasingly into relief as the application of the 2<sup>nd</sup> CSF proceeded. In 1998, this inability was reported in the central CSF Monitoring Committee meeting as a major issue. As stated by the Secretary General of the Region of South Aegean, the main problem is that the LSGOs as implementing agents are in no position at all to implement the projects. As a result, in his Region, both the LSGOs and the PSGs

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<sup>59</sup> Further highlighted in Chapter Six.

<sup>60</sup> Interviews with Ch. Daoussi and YPESDDA officials, Spring 2000.

*"have been transformed into mechanisms of award of contracts... After contracts are awarded we are left at the mercy of the contractors, no one controls them".*<sup>61</sup> By that time, Law 2539/97 "Organisation of Local Self-government" launching the *"Programme Kapodistrias"*<sup>62</sup> stipulating the compulsory mergers of the small LGOs into larger ones had already been adopted, yet it was -and still is- too early to yield satisfactory results.

As the Community does not interfere with the internal organisation of the Member-States, this reform like the introduction of the Prefectoral Self-government was not an obligation arising directly from Community legislative arrangements. Nonetheless, it has been informed by European integration, the needs arisen by the application of Community development programmes, and the role assigned by the relevant Regulations to subnational tiers of government. Indicative of this is the relevant reference made in the *"Introduction to Law 2539/97"*. As one of the most important reasons for proceeding to LSGOs mergers is mentioned the elevation of local self-government in Europe during the past few decades into a crucial level of local and regional developmental planning.<sup>63</sup>

As pointed out, this role cannot be assumed successfully by fragmented, tiny, inefficient entities, that has been the dominant pattern of the Greek local self-government. It is characteristic that in the *Introduction* the weakness of the LSGOs is identified as a precondition for the maintenance of the traditional opportunity structures as argued above in Chapter Four: *"The larger municipalities are in a position to respond to their developmental role, the smaller municipalities and communes*

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<sup>61</sup> Minutes, Meeting of the CSF Central Monitoring Committee, 27 May 1998.

<sup>62</sup> The new law introduced apart from small local entities' mergers, a new integrated financing mechanism regarding national resources for local development. It was named after the first Governor of Modern Greece. See Chapter Two.

<sup>63</sup> Ministry for the Interior, Public Administration and Decentralisation (1998), *"Introduction to Law 2539/97, on Organisation of Local Self-government"*. Athens, National Printing House.

*have to remain bystanders, or, at best, to modify institutions of developmental co-operation into mechanisms of resource and project distribution.”*<sup>64</sup> It is moreover noted that the reforms introduced “*clash inevitably with those political formations that have been nurturing for decades centralisation, lack of transparency, favouritism and clientelist relations, as well as the vested interests of those groups that remain indifferent to the collective interests of the society*”.<sup>65</sup>

Indeed, the new law on mergers met with very strong resistance before and after it came into force.<sup>66</sup> Although mergers may have not occurred in all cases on the basis of purely developmental criteria, it is important that the first step was made. The new law was enacted towards the end of the application of the 2<sup>nd</sup> CSF, therefore, the elapsed time span does not allow an assessment, as the reform was not given enough time to materialise. According to actors interviewed, and as noted before, in most cases the mergers have not produced entities capable to cope with the demands of the developmental programmes.<sup>67</sup>

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<sup>64</sup> *Ibid.* This argument is supported by the statement of the Secretary General of the Region of Sought Aegean cited above, this chapter's footnote No 51.

<sup>65</sup> *Ibid.* On State reform as induced in the context of European integration see also the article “*The plight of the clientelist relations*”, in weekly TO VIMA, 12.3.2000.

<sup>66</sup> Discussion of the long and fiery political debate on the mergers does not fall within the scope of this dissertation. It should be mentioned though, that apart from populist explosions of localism, one of the frequent accusations made by the Opposition has been that the mergers served electoral interests of the ruling party. See among others, article “*The theorem of the ‘vote of the feet’*” in weekly TO VIMA, 29.6.1997.

<sup>67</sup> Among others, YPESDDA official, and Ch. Bessas, Municipality of Volos, June 2001.

### Summary

The second programming period was marked by the introduction of substantial innovations in the structures and practices in regional policy process. However, despite the slight change, traditional patterns were more or less retained. The introduction of the Prefectoral Self government and the transfer of powers to the regional and local tiers far from empowering subnational government have resulted in further organisational weakness and centralisation of power. Moreover, there has been concentration of power at YPETHO owing to its role as responsible for the implementation of the CSF.

The establishment of the parallel structures with view to enhancing the managerial capacity of the Regions as regard the monitoring of the ROPs did not empower this tier, on the contrary it signalled its further dependence on external actors and the Central State. The introduction of the Regional Development Fund and the mergers of the LSGOs had a very limited positive effect as well.

The adoption of new legislative measures in an effort to improve the public works production system has revealed the Commission's dynamic intervention as a agent responsible for the application of the Community policies, while at the same time has brought into relief the tenacity of opportunity structures embedded in culture.



CHAPTER SIX - CASE STUDY: THE TWO REGIONAL OPERATIONAL  
PROGRAMMES (ROPS) THESSALY

*Introductory notes*

The aim of this chapter is to illuminate some the main points made in previous chapters. It attempts to do so by looking into the issues arisen in the application of the two ROPs, the reforms introduced in response, and the degree of adaptability of the Region of Thessaly.

Thessaly was chosen for the case study because it brings together several important elements in the analysis regarding the response of the administrative system to the process of adaptation to reforms, which are not found in all Greek Regional Operational Programmes (ROPs). Among others, the validity of the actor-centred approach in the reforming process is revealed.

Briefly, the research in Thessaly has revealed the following: The 1<sup>st</sup> ROP has been as characteristically pointed out by numerous interviewees “*a waste of resources*”. All the features of the traditional policy process were retained. It was the 2<sup>nd</sup> ROP that signalled a slow transformation, which became apparent as the implementation proceeded. In general though, resistance of the system has been strong, while change, to the degree it occurred has been attributed mainly to the role of the Commission, and to a lesser degree to other factors, such as the presence of individuals with a reformist mentality and a technocratic approach to the management of the Funds.

It is argued here, that as indicated in the case of Thessaly, empowering the Region as an *administrative tier* does not necessarily imply its capacitating as a *developmental entity*. This has proven to be a far more complex issue, involving a whole range of transformations beyond the introduction of legislative reforms.

After an introduction to the profile of the Region of Thessaly, this chapter will examine the two programming periods, the introduction of new institutions and the impact on the application of the ROP. Analysis is concerned with shifts of power and resource distribution with emphasis on public works production.

### **Profile of the Region of Thessaly:**

The Region of Thessaly occupies the centre-eastern part of Greece and is subdivided into four Prefectures: Karditsa, Larissa (the seat of the Region) Magnesia and Trikala. It covers 13.929 sq. kms, and is the third Region of the country in terms of population with 742.254 inhabitants. It is characterised by structural lagging and a considerable deviation in the living standards from the respective Community average. In terms of peripherality, the Region shares the more general problem of Greece regarding the distance from the geographical and economic centre of the Union although this drawback is counterweighted by the central position of the Region in the national space. This advantage will further increase when the under construction basic infrastructure is completed, a development that will enhance the productive activities related to Trans European networks.<sup>1</sup>

Thessaly, like other South European Regions has a difficulty in adjusting to technological and productive developments characterising the more developed Regions of the Union. Characterised as strongly agricultural until 1989 when the application of the 1<sup>st</sup> ROP started, Thessaly has been experiencing during the past few years social tensions arising from the Region's difficulty to cope with the shrinking primary and industrial sectors. There has been however a steady growth in per head GDP which rose in the past fifteen years which is the period of the IMPs and the CSFs application.

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<sup>1</sup> Evaluation Report of ROP Thessaly 1994-1999, July 1999, by YPODOMI.

Improvement is also noted in unemployment rates which in 1997 was 7,5% of the working force, a percentage that is lower than national and European rates.

There are considerable differences in welfare levels and growth rates in the Region. The largest gap exists between the eastern part of the Region on the one hand, comprising the Prefectures of Larissa (where the capital of the Region) and Magnesia, the latter being on the developmental axis Thessalonica – Volos (capital city of Magnesia) – Athens – Patra, which crosses the country from north east to south west, and which concentrates a substantial bulk of heavy industrial activity, and the west part on the other, which includes the Prefectures of Karditsa and Trikala, with a traditionally agricultural profile.<sup>2</sup>

Regarding demographic developments, there is an increase of the population, although there is also a tendency of internal migration towards the more developed areas with subsequent population shrinkage of backward areas such as the mountainous ones. These developments contribute largely to the aggravation of the intra-regional and intra-prefectoral inequalities as described above.

### *Structure of ROP Thessaly 1989 - 1993*

ROP Thessaly 1989-1993 comprised five sub programmes, on the basis of the five Funds, while sub programme ERDF was subdivided in four Measures (Sub-sub programmes). Sub programme Implementation was agreed upon between the Greek government and the Commission after the CSF had been signed. Accordingly the 1<sup>st</sup> ROP Thessaly was structured as follows:

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<sup>2</sup> For a more detailed profile of the Region of Thessaly, see the a) Commission of the European Community (1993), *"Portrait of the Regions"* b) Several Evaluation Reports of the two ROPs Thessaly, commissioned by the Ministry of National Economy and carried out by "HYPODOMI Economists Consultants".

## 1. -ERDF:

1.1 Upgrading of basic infrastructure

1.2 Improvement of social infrastructure

1.3 Development of tourist and cultural resources

1.4 Industrial and handicraft development

## 2. -EAGGF

## 3. -ESF

## 4. -EAPTA (Special Development Programme for Local Self Government)

## 5. -Implementation

The preponderance of the infrastructure projects is evident, a feature which has been common in all ROPs in Greece. The tendency towards basic infrastructure works and projects increased during the application of the ROP, with considerable shifts of resources from other innovative actions to this sector which, as discussed below is connected among others to the traditional networks of public works production.

### *The Monitoring Committee(MC)*

The ROP Thessaly Monitoring Committee, seating in the Region of Thessaly was set up with a Ministerial Decision of the Ministry of National Economy (YPETHO).<sup>3</sup> It consisted of:

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<sup>3</sup> Document: Decision of the Deputy Minister for National Economy, Ref. No: 56562/3402/15.11.1990.

- The Secretary General of the Region and President of the Monitoring Committee
- The Head of the Directorate for Planning and Development of the Region
- the four (political appointees) Prefects
- A representative of the Local Association of Local Government Authorities
- Five members staff of the Region, Responsibles for the five sub programmes of the ROP
- Three representatives of the Commission
  - one from DG V
  - one from DG VI
  - one from DG XVI
- Representatives of various Ministries involved in the application of the ROP

The same Ministerial Decision provided for the establishment of the Secretariat of the ROP MC also seating in the Region of Thessaly and consisting of the five Responsibles of the respective sub programmes.

In the context of its general competence for the effective application of the ROP, the MC's capacities included ensuring the eligibility of the projects. In the case of larger projects, the MC should notify the Commission sending the necessary information according to Art. 5 of the EC Reg. 4254/1988. Before revision of the programme the MC should notify the national government and the Commission. As stipulated in the Ministerial Decision the MC should meet twice a year in the Region unless otherwise decided.



## ***REGION OF THESSALY***



Source: NORTOUR. <http://www.nortour.gr/en/index.htm>

The main tasks of the Secretariat included drawing up the financial tables and progress reports twice a year as well as at the end of each year. It was also responsible for locating delays in project implementation and re activating the respective implementation agencies. Furthermore, the Secretariat was responsible for monitoring synergy between the projects on the one hand and the goals of the Programme on the other, as well as eligibility of the expenditures.

### *ROP formulation*

The process of drafting Thessaly Regional Development Plan (RDP) for the 1<sup>st</sup> CSF has been similar to those of the other RDPs. The relevant ministerial circulars giving instructions as to how the RDP should be drafted reached the recipients either a few days before the deadline expired, or, in some cases even after that. Most of the interviewees attributed this to the traditional improvisation of the Greek public administration, while others interpreted it as an intention to prevent Local Authorities from participating in the planning procedure.<sup>4</sup>

The amount of resources to be allocated to the Prefectures was decided at the central level. The first ROP set no developmental goals, and apart from the classical criterion of population, the principal aim in drafting the plan has been to achieve a balance between local conflicting interests, in light of electoral considerations. All actors at Local Self-government (LSG) level have stressed the very low degree of LSG participation in the process.

There was also lack of interest or what has been referred to as “non rational indifference” of the various social and economic actors of the Region for the development plan. The main labour unions of the Region for instance,

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<sup>4</sup> Interviews with Thessaly LSG actors, July 2000-June 2001.

were involved only to a negligible degree in the planning process, and so did the employers' unions. This attitude of the organised interests, has been attributed among others to lack of trained staff, know how, and technical infrastructure.<sup>5</sup> Lack of political personnel with a vision and the determination to transform the existing patterns of behaviour has also been emphasised.<sup>6</sup>

The case of Thessaly confirms maintenance of the Prefecture's supremacy in planning and programming. The prefectural development plans were submitted to the Regional Council, which incorporated these programmes unchanged into its RDP proposal to the YPETHO. The role of the Region in this process consisted simply in helping to achieve a political balance in resource distribution.<sup>7</sup>

#### *Project selection, system weaknesses and clientelist practices.*

The technical fiche (TF) which had been introduced in IMPs in a very simple form and was also applied in the 1<sup>st</sup> ROP did not contribute substantially to improvement of project selection. In reality, the value added of the TF should be understood not so much in practical terms as in terms of *initiation* to new practices. The "project technical fiche", which was filled in by the implementing agency, contained information on the basis of which the project would be approved or rejected. Eligibility criteria though described in the TF were far from homogeneous when they existed at all, a fact that **a)** allowed discretion as to *what* type of TF could be preferred, and **b)** rendered project selection even more arbitrary.<sup>8</sup> As a result, each implementation agency

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<sup>5</sup> Interviews with Valavanis, President of the Pan Thessalic Association of Industries, Goudopoulos, President of the Chamber of Commerce of Thessaly. July 2000.

<sup>6</sup> *Ibid*

<sup>7</sup> Interviews with H. Karakostas, and Ch. Lytrokatis, Prefectoral Self-government of Larissa.

<sup>8</sup> Interview with D. Economou, Evaluator, July 2000.

would choose the TF most suitable to them, a practice which however did not address the issue of their organisational paucity: most often than not, implementation agencies, especially Local Self-government Organisations (LSGOs) were not capable of even filling in these originally simple forms in a satisfactory way.<sup>9</sup> These weaknesses allowed project selection in such a way that served and promoted clientelist politics and the interests of the traditional public works production networks mentioned above.<sup>10</sup> Project selection has not proven a challenge only for the LGOs. It has brought into relief the whole range of flaws in public works production, at all levels. For example, a very frequent remark concerned the impact of the absence of strategic framework studies at the national level, but also at the regional and local levels, defining the developmental needs, setting goals, locating the technical problems and suggesting solutions. As a result, instead of trying to select projects to fit into an existing developmental framework, there were in the first place lists of projects and a framework was drawn *a posteriori* to include them.<sup>11</sup>

A number of other parameters illustrate the organisational deficiencies of the LSGOs and the centralisation of competencies at the Ministries, all of them complementing the lack of strategic framework studies. More specifically, a crucial factor in project selection has been the low degree of maturity of basic infrastructure projects of the ROP. Maturity consists in a number of factors at the moment of project selection, such as detailed description of the objective, and the timetable of its completion. Moreover, it is important that certain conditions are met such as expropriation of land where necessary, and drafting of environmental impact studies approved by the competent authorities when

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<sup>9</sup> Interview with G. Demolios, ROP Programme Manager, July 2000.

<sup>10</sup> Interview with D. Economou, Evaluator, June 2001.

<sup>11</sup> Interviews with G. Demolios, D. Economou, Ch. Karakostas, P. Skoteiniotes Prefect of Magnesia, and LG actors. July 2000-June 2001.

so demanded by law. 50% of the projects selected for the 1<sup>st</sup> ROP Thessaly did not meet these criteria.<sup>12</sup>

This was due not only to weaknesses of Sub-national tiers. Time consuming legal procedures concerning expropriation of land caused considerable delays, while approval of environmental impact studies was held jealously at the central level by the Ministry of Environment, Planning and Public Works (YPEHODE). As a result 99% of the projects were not accompanied by an environmental impact study as required by law.<sup>13</sup>

*The predominance of basic infrastructure works, project fragmentation and under-estimation of budget.*

The prevalence of the ERDF in the ROP is evident in its structure as given above. Moreover, as shown from the Evaluation Reports of the ROP, the vast majority of the projects selected were traditional basic infrastructure works of a small scale, revealing concern not so much for efficiency, but mainly for absorption, a feature shared with the other ROPs. Indicatively, Measure 1.1.1. of the Sub-programme ERDF which concerned road improvement works, covered 21% of the total public expenditure of the ROP.<sup>14</sup>

Directly related to the preference for this type of projects is over-fragmentation. A large number of works were not planned as integrated interventions, but were instead mere lists of similar though not interrelated works.<sup>15</sup> The average length of road construction works is 4,6 KLM, which

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<sup>12</sup> Economou, D. (1995), "Developmental programmes and social interests" in Spanou, K. *"Collective claims and governmental policies"*, Athens-Komotini, A.N. Sakkoulas, p. 213.

<sup>13</sup> *Ibid.* Also interview with G. Demolios, Programme Manager, July 2000.

<sup>14</sup> 1993 Annual Evaluation of the ROP Thessaly 1989-1993. p. 46.

<sup>15</sup> *Ibid.* p. 40.



shows again preference for a large number of small-scale works corresponding more or less to fragments of roads, at the expense of integrated projects.<sup>16</sup>

Preponderance of infrastructure works is evident also in drainage and water supply systems projects. Despite the fact that they did not have a developmental impact and therefore lacked the main eligibility criterion, they were finally selected, accounting for 24,6% of the overall public financial commitments of the ROP. Considering that part of these commitments went to Smokovos dam which is a project of considerable size, the real percentage of this type of projects reaches finally 13-14% of the ROP, still rather high. Moreover, judging from the rest of the works of this category, it is clear that there has been extreme fragmentation with average cost of the works, 24,7 million dr.,<sup>17</sup>

Lack of maturity of the projects as described above has been a precondition for another traditional practice, that brings into relief the sub-interrelation between public on the one hand and private actors on the other, namely deliberate underestimation of the real cost of projects appearing in the tenders.<sup>18</sup> Overall, the traditional practices in public works production were not replaced by rational ways of action. As expected, the organisational flaws conducive to traditional patterns were far more difficult to remedy.

*The organisational weakness of the Region, the Programme Manager and the Evaluator.*

As implementation proceeded, the problems arising from organisational deficiencies and defective planning came into full relief. The Secretariat of the

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<sup>16</sup> 2<sup>nd</sup> Evaluation Report of ROP Thessaly. (1994) Part 1: "Results and impact of ROP 1989-1993". p.48.

<sup>17</sup> *Ibid*, pp. 51-53.

<sup>18</sup> Interviews with d. Economou, H. Karakostas, G. Demolios, July 2000 - October 2001.

Monitoring Committee inadequately staffed and equipped could not respond successfully to the responsibilities arising from the administration of an operational programme of such scale. While in other Regions the personnel supporting the Secretariat were civil servants transferred from other public services, in Thessaly even this has not been possible. In light of the inadequacy of the system, some of the tasks such as following the implementation progress, and locating the problems, as well as co-ordinating the activities of the actors at the various levels, rendered the Secretariat's work extremely difficult while efficient monitoring of the programme was hampered.<sup>19</sup>

The Programme Manager was established after a lot of pressure from the Commission to address precisely this issue. A company of economic consultants was hired by the Ministry of National Economy (YPETHO), to assist the management of the ROP. It substituted for the Secretariat of the Monitoring Committee, with the exception of the five Responsibles of the sub programmes. There have been no incidents of conflict between the civil servants and the Programme Manager as has been the case in other Regions.<sup>20</sup> The Programme Manager assumed extensive responsibilities, and their contribution to the management of the system has been of great value. Judging from statements of the Programme Manager and the Region's staff it could be argued that the Region's heavy dependence on external actors has resulted in good co-operation, because the degree of resistance was rather low. Moreover, the Region's dependence on the Programme Manager was at the same time a reinforcement of the control of the Ministry of National Economy over the Region, since the new agent had signed a contract with the Ministry and reported directly to it.<sup>21</sup>

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<sup>19</sup> Interview with member staff of the Region July 2000.

<sup>20</sup> Interview with Demolios, June 2001.

<sup>21</sup> See Christopholopoulou, P. (1996), *"Prefectoral Administration and Self Government in the Greek Political System"*. (in Greek), In GREEK REVIEW OF POLITICAL SCIENCE, VOL. 7, pp. 124-152.

In 1992, the Evaluator was established in the Region. The relations with the Region's staff have also been reported as excellent.<sup>22</sup> The Evaluator's contribution to better practices and improvement of the system in general has been multifaceted. A member staff of the Evaluator settled down in the Region, to help with elaboration of the data. Of significant importance has been the Evaluator's contribution in re programming resulting from the change of the Greek/Community funding ratio from 50/50 to 25/75.<sup>23</sup> The resulting exit of a substantial number of projects from the ROP required a careful selection so that the developmental goals could be reached. The Evaluator tried to establish the correct criteria for the works to be excluded, these being not only the absorption rates, but also the strategic importance of the projects under question.<sup>24</sup>

Elaboration of environmental studies lacking from a large number of projects has been part of the Evaluator's input in the system as well as proposals for the preparation of a new information system as a priority, with view to remedying the serious flaws of the existing system. According to the proposal, the new system should be established at the central level by YPETHO, so that homogeneity, coherence and co-ordination be guaranteed. More over, the problem of information flow and co ordination among the agencies involved but mainly between the Region and the Prefectures, was pointed out and it was suggested that ad hoc joint committees be set up to tackle the problem.

While there has been reluctance on the part of the Administration to proceed to materialisation of the Evaluator's proposals, certain measures were

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<sup>22</sup> Interviews with the Evaluator, and members of the staff of the Region, July 2000. Moreover, the good communication has been stressed in all Evaluation Reports.

<sup>23</sup> See Chapter Four.

<sup>24</sup> Annual Evaluation Report ROP Thessaly, 1993.

adopted although not very successfully.<sup>25</sup> A point needs to be made in relation to that: the initiatives taken by the Region following the suggestions of the Evaluator, did not materialise in cases where their endorsement depended on action taken by the central state.<sup>26</sup> The case of the environmental studies is illustrative in that sense: On 16.9.1992, following the Evaluator's suggestions, the Region asked the Ministry of Environment, Planning and Public Works, to speed up the elaboration of environmental studies regarding a number of projects.<sup>27</sup> However, the Ministry did not respond, nor did the Ministry of National Economy regarding the information system. The highly centralised nature of the Greek State, and the tendency to retain this feature, expressed in the obstructive actions and practices of the political and to a very large degree of the administrative personnel has been associated with the traditional opportunity structures.<sup>28</sup>

Overall, it can be argued that the contribution of the Programme Manager and the Evaluator has been significant, and indeed it would have been impossible for the Region to face its responsibilities in the context of the ROP application without these external actors. However, and this does not diminish to the least the value added of the two actors, when seen from the point of view of empowerment of the Region, it seems that its dependence on the central state in terms of resources as well as in terms of competencies was retained throughout the 1<sup>st</sup> ROP. The fact that both the Programme Manager and the Evaluator were hired by and reported to the Ministry of National Economy is an indication of this, and so is the reluctance of the Ministry of Public Works City Planning and Environment to devolve the competency of

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<sup>25</sup> Interview with D. Economou, July 2000.

<sup>26</sup> *Ibid*

<sup>27</sup> Document: Region of Thessaly, ref. no: 2607/16.9.1992

<sup>28</sup> Interviews a) with G. Demolios, b) Local Government authorities and c) actors at the Prefectoral level, July 2000 - October 2001.

approval of environmental studies to the Region or to even approve them, which hindered smooth and efficient implementation of Projects.

*Monitoring Committee and partnership: persistence of old practices and further concentration of power*

Before an official meeting of the ROP Monitoring Committee, the so called “technical groups” composed of representatives of the Region, Ministry of National Economy and the Commission would meet in advance to discuss the issues before these were brought in the Monitoring Committee. As widely stated, there has always been a very good level of communication among the three partners. Lobbying by the various agents would also take place during this phase.<sup>29</sup> “Lobbying” in this context, however, should be understood as traditional clientelist practices. The result has been that the agreements reached in this context were not based on rational developmental criteria, but on redistributive, political considerations.<sup>30</sup> The Monitoring Committee tended to endorse what had already been decided upon. Thus, this forum, the expression par excellence of the principle of partnership, was reduced to a body of endorsement of already taken decisions.

Confirming the general rule observed in Chapter Four, partnership in Thessaly seems also to have been impinged owing to the ‘written procedure’. This replaced extensively the formal decision making process for the sake of speeding up the operation of the ROP. It seems that the ‘written procedure’ has worked very effectively in Thessaly. As pointed out, there has scarcely ever been a refusal on the part of either the Ministry or the Commission, to adopt the proposals of the Region submitted in the context of the ‘written procedure’.

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<sup>29</sup> Interviews with a) A. Pappis, Co ordinator of the 1st ROP Thessaly, b) A. Heliopoulou, responsible of the Sub-programme Technical Assistance during 1<sup>st</sup> and 2<sup>nd</sup> ROPs.

<sup>30</sup> Interviews with Local Government Authorities and Demolios, Programme Manager, July 2000 - October 2001.



This was attributed again, to the very good level of communication among the three tiers.<sup>31</sup>

Given that both in the “technical committees” and the “written procedure”, lobbying on the part of Local Government almost never reached the Commission<sup>32</sup>, it has been convenient for the central level of Government (mostly YPETHO) to use the presumed veto of the Commission as a pretext in order to turn down proposals of Local Self-government Authorities(LSGA) and other implementation agents. If the dialogue had taken place in the context of formal transparent procedures with all partners involved present it would have been difficult and politically costly, whereas in this case the Commission was used as a scapegoat.<sup>33</sup> The argument goes that the proposals rejected in this context did not meet the criteria and the proposing agents were using political pressure in order to bypass them. However, even if this applied in all cases, which would mean that at least efficiency was served at the expense of transparency and partnership, still, this practice allowed ample margins for misuse. It is furthermore, a clear evidence of concentration of power towards the upper levels of government. Furthermore, the inadequacies of the State at the central level made the Commission’s role far more important and interventionist.<sup>34</sup>

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<sup>31</sup> Interviews with a) A. Heliopoulou, b) A. Pappis, July 2000.

<sup>32</sup> This has been confirmed by Bruce Millan.

<sup>33</sup> Interview with A. Pappis.

<sup>34</sup> The Commission’s heavy contribution in planning process has been confirmed by all interviewees.

## SECOND ROP THESSALLY

The structure of the ROP Thessaly 1994-1999 was different in that it included 8 multi -fund sub-programmes, mainly in order to address the issue of one-fund inflexibility:

1. Agricultural development
2. Industry
3. Local infrastructure networks
4. Environmental protection
5. Human resources
6. Special Local Self-government Developmental programme (EAPTA)
7. Implementation
8. Completion of ROP 1983-1989 projects

Planning in the second programming period was to a great extent along the same lines as in the 1<sup>st</sup> ROP. The response of the social and economic partners was not substantially altered. A slow change was perceived in the planning process with regards the role of the Region which was enhanced. As stated by actors involved in the process, the Region set the financial framework, and the goals as provided for in the CSF for Greece and had a slightly more active role mainly in ensuring that the Prefectures complied with the rules. It was argued that this came as a result of the Commission's

persistence in changing the rules of the game, after what had happened in the application of the 1<sup>st</sup> ROP.<sup>35</sup>

Regarding broader participation though, it was widely reported that the RDP submitted at the Ministry for National Economy (YPETHO), was in reality the result of consultation between the Prefectures on the one hand and the Region on the other, and that LSG Authorities (LSGA) did not have a chance to influence its formulation.<sup>36</sup> The pathology of the political system as a framework for the elaboration of the ROP has been identified as a major cause for the defective process of project selection. More specifically, clientelist practices have been held responsible **a)** for lack of transparency in the process of planning and **b)** for the transfer of concern for effectiveness to the particularist pursue of interests in absence of a developmental logic.<sup>37</sup> The Commission's determination to alter the traditional process was reflected in its refusing in 1995 to approve a number of projects which had been selected for the ROP, and for which the process of procurement was already concluded before final approval by the Monitoring Committee. After being rejected by the Commission they had to be financed exclusively with national funds.<sup>38</sup>

To the extend that a change occurred regarding a rather higher degree of maturity of the ROP, this was due to the fact that the already implemented public works had improved basic infrastructure in the Region, which allowed for a more relaxed developmentally oriented logic. Consequently there was an increased emphasis on the quality of the interventions as opposed to the

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<sup>35</sup> Interviews with Demolios, Heliopoulou, and Karakostas.

<sup>36</sup> Interviews with LSGO actors.

<sup>37</sup> Reported by D. Economou, Evaluator, who participated in the group of the Region which examined the application and the lists of works submitted for approval.

<sup>38</sup> Interview with high ranking official of the Region of Thessaly, July 2000 and V. Kontorizos Mayor of Portaria, June 2001.

quantity.<sup>39</sup> Overall however, there has been a very slight improvement in comparison with the 1<sup>st</sup> ROP.

The role of the Region was enhanced after 1995 as has been the case in the other Regions too. After the introduction of the Prefectoral Self-government, this tier lost its influential role to the Region. The Prefectoral Council does not enjoy anymore the prestige of the period before 1995, as it has lost its role in the process of final formulation of the local programmes. It was bitterly argued that the prefectoral tier had acquired over time a storage of knowledge and experience in the developmental planning, which the Region lacks and tries in vain to remedy with external bodies like the Management Organisation Unit (MOU). As moreover noted, the levels of programming are not clear anymore, and there has been further centralisation of power in the Region which is controlled by the Central State.<sup>40</sup>

### *The Management Organisation Unit*

The MOU subdivision of the Region of Thessaly<sup>41</sup> was established in the Region in 1997, after pressure by the Commission as discussed in Chapter V, with view to enhancing the Region's managerial capacity. The issue of overlapping competencies with the existing Programme Manager was soon raised. An instance of this has been an information system introduced to cover the large projects all over the country. The purpose of this system was to keep the Prime Minister and his team of experts informed on the progress of the large projects at a national level. The system known as PRIMAVERA, was established in the Region of Thessaly in 1997, (before the introduction of MOU), in the premises of the Programme Manager of the ROP, considered by

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<sup>39</sup> Interviews with Karakostas and Demolios, July 2000-June 2001.

<sup>40</sup> Interview with Ch. Karakostas, PSG of Larissa, October 2001.

<sup>41</sup> For a detailed discussion of the MOU see Chapter V.

the Prime Minister's team to be the most appropriate operator. When later during the same year MOU took over the Secretariat of the Monitoring Committee, they claimed access to the system. However, there was a key to the system for security reasons, which guaranteed access only to the Programme Manager, and at the same time established their responsibility for the reliability of the data entered to the system. This was one of the first points of friction between the new institution on the one hand and the Programme Manager on the other.<sup>42</sup> While the claim of the MOU unit seems legitimate since they should be able to have access to the data and thus initiate the process of problem solving, the Programme Manager saw in this claim a threat to their own status fearing they would lose completely control of the management of the ROP.<sup>43</sup>

At any rate, what is important here is the fact that there has been power conflict over the management of the Funds, *within* the Region, which is institutionally the competent agent, but somehow *in the Region's absentia*, since both the MOU and the Programme Manager were answerable to and depended on YPETHO rather than the Secretary General of the Region. Again, this development is due to the fact that the Region did not have resources of its own to cope with its demanding managerial role, a traditional feature of all sub-national units in Greece as shown in a Chapter Two. The establishment of the MOU has not empowered the Region, nor has this been the intention of YPETHO, quite the opposite. In short, the Region's managerial capacity continued to depend on *external actors answerable to the Central State*.

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<sup>42</sup> Interview with G. Demolios, July 2000.

<sup>43</sup> *Ibid.*



*Public works production and the new tools.*

- *The new Technical Fiche, Ministerial Circular No 2 and the Technical Consultants,*

There have been contradictory statements regarding the new, sophisticated Technical Fiche(TF). On the one hand it has contributed to rationalisation and has made project selection more transparent. On the other hand it has placed additional pressure on the LSGOs, already unable to deal with the existing far simpler form of TF. As argued, there is no doubt that this has been an important step towards rationalisation of project selection with significant impact on clientelist practices, however, the issue of LSGOs incapacity should have been addressed before its introduction. The LSGOs mergers which at any rate occurred much later after the introduction of the TF, in most cases have not produced new strong entities, while national resources for LSGOs organisational needs continue to be insufficient.<sup>44</sup>

Similarly, the Ministerial Circular No 2 has been another instance of challenge for both the clientelist system as well as the LSGOs capacity. Its sudden introduction, while project implementation had already begun under the previous regime (Law 1418/86) caused strong reaction and great confusion. Indicative of the turmoil it created in the network of public works production, and presumably of the 'solutions' adopted by the interested actors to cope with the new measure, is the fact that it has not been possible to access data regarding the percentage of compliance with the circular.<sup>45</sup> However, the following example which has been the only relevant piece of information

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<sup>44</sup> Interviews with Ch. Lytrokatis Larissa PSG, Ch. Bessas Volos Municipality, and Region of Thessaly officials, July 2000 - October 2001.

<sup>45</sup> It is characteristic that at all levels actors refused outright or found subtle excuses for not providing data, treating the issue as "classified". It has been stated though that "*wherever it has been possible to avoid application of the circular, it was not applied after all.*" Interview with H. Lytrokatis.

accessible, is indicative of the nature of the problems created from application of the circular:

The project of a school that had started under the old regime included a swimming pool, the cost of which was not estimated in the initial budget of the project. The intention was to revise the budget in the course of the implementation and thus cover the cost of the swimming pool. However, the introduction of the ministerial circular prevented the implementation agency from completing this scheme.<sup>46</sup>

Again, as argued by actors at LSG and Prefectoral levels, there are several dimensions in the issue:

1. Compliance with the circular involves the necessary infrastructure to prepare the studies required with detailed description of the physical object. The issue of LSGOs weakness has not been addressed satisfactorily despite the launch of the project 'KAPODISTRIAS' on LSGOs mergers while LSGOs resource dependence on the Central persists.<sup>47</sup> On the other hand, it has been argued that the reason behind LSG weakness to prepare studies has not always been lack of resources but often their waste in small scale 'fancy' projects by the Mayors with view to securing votes, instead of investing in studies for larger projects of a developmental nature.<sup>48</sup>

2. The other dimension of the issue of under-estimation and revision of budgets is connected to the effort to accommodate as many electoral interests as possible achieving a balance. It was argued that project

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<sup>46</sup> No further details were provided.

<sup>47</sup> Interview with K. Agorastos, Deputy Mayor of Larissa. C. Lytrokatis, Directorate of Technical Services, and H. Karakostas, Directorate of Developmental Programmes, Prefecture of Larissa, October 2001.

<sup>48</sup> Interview with M. Antoniou, YPETHO official and member of the ROP Thessaly MC, October 2001.

selection was decided within a certain financial limit, and under-estimation of budget allowed inclusion of a larger number of projects, thus satisfying more local actors. It was understood that later there would be budget revisions.<sup>49</sup>

3. Related to the political dimension of the problem are the interests of the contractors who were also threatened by the introduction of the circular, as they could not anymore ensure contracts by offering heavy budget discounts.<sup>50</sup> As characteristically pointed out, *"the circular challenged directly the traditional patterns of interaction between public actors on the one hand and the contractors on the other, a pattern well established and consolidated over time"*<sup>51</sup>

The Technical Consultants were established to make sure that the new forms of the TF and later circular No 2 were applied. They were seen in the beginning as intruders by the Secretary General and a threat by the implementing agents, but more particularly by the contractors. As characteristically noted, they *"stirred up calm waters"*, meaning that they challenged directly the interests of the of public works production network as a whole which caused real turmoil.<sup>52</sup>

It was argued in Chapter Five that Technical Consultants were answerable to YPETHO, and as such their loyalties did not lie with the Region. Indeed, as illustrated in the case of Thessaly, there have been problems resulting from their refusing to abide by the organisational rules of the Region, as directly answerable to YPETHO.<sup>53</sup> Moreover, there have been tensions

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<sup>49</sup> Interview with C. Lytrokatis, October 2001.

<sup>50</sup> Interview with H. Karakostas, October 2001.

<sup>51</sup> Interview with M. Antoniou YPETHO official, responsible for ROP Thessaly, October 2001.

<sup>52</sup> This has been widely reported. Among others, interviews with A. Michalis, G. Demolios, H. Karakostas, D. Economou, Ch. Bessas., July 2000 - October 2001.

<sup>53</sup> Interview with N. Michalis, Technical Consultant Region of Thessaly, July 2000.

between Technical Consultants and MOU staff due to overlapping competencies. An incident of this has been the antagonism over control of the new Management Information System, established in the Region in 1999. Just like in the case of friction between the Programme Manager and MOU, external actors competed for power and influence within the Region.

Apart from the fact that all these bodies did not really enhance the Region's organisational and managerial capacity as a developmental entity, there has been a negative impact of this external matrix on programme efficiency. The fact that the various actors did not acknowledge the Secretary General of the Region as their sole superior, made their co-ordination by the latter difficult, with consequences

### *Project Fragmentation and Opportunity structures*

As discussed in Chapter V, the provisions of Directive 93/37/EEC as amended by Directive 97/52/EEC, prohibit fragmentation of works.<sup>54</sup> This has far reaching implications on public works production especially in the case of Greece. It involves *transparency* with view to assuring healthy competition and restricts considerably the cases in which public agents can avoid open competition by splitting a work into several lots and thus directly awarding a contract.

However, fragmentation of projects with view to direct award of contracts, constitutes as described in Chapter II, a cardinal feature of public works production networks in Greece, deeply rooted in the political and administrative culture of the country. More specifically, the issue is related to

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<sup>54</sup> See Chapter One. : "No work or contract may be split up with the intention of avoiding the application of the Directive" Art 6 (b) of Directive 93/37/EEC as amended by Directive 97/52/EEC.

- a) The *organisational incapacity of the LSGOs* to handle large scale projects and public works. This feature, which is often the reason and/or the pretext for fragmentation, is connected to the *over centralised nature of the State*, that has kept the LSGOs weak and dependent.
- b) The *opportunity structures* built precisely on LSGOs weakness and dependence, and involving a wide spectrum of actors both public and private with the contractors holding a central position.
- c) *Electoral considerations* underlying *resource distribution* process. More specifically, the funds available for X ROP, were split into smaller sums in order to satisfy a larger number of mayors, who in turn are linked with a *clientelist bondage* to the Central State and the actors as discussed before. (Also related to budget under estimation discussed above).

All these factors are closely interrelated, underlined by clientelist practices and therefore *non-transparent*, and constitute a vicious circle consolidated and cemented over time. This circle was challenged by Community Directives and the reaction of the system has been analogous. The limit of 100 m DR set by the provisions was not respected. Not only was there most often outright fragmentation, but in order to bypass the Directive without causing reactions, the *grouping* of works was invented and applied. This means that under the title of an apparently single project there are several fragmented works of similar nature that could be dealt with as one project. The following examples from the 2<sup>nd</sup> ROP Thessaly are illustrative of this argument.

- a) *Measure 3.2 Small-scale road constructions*. Average cost of projects: 73.4 m DR



- b) *Measure 4.2 Sewage and irrigation*: Average cost of projects: 73, 4 m DR. Grouping: many projects are groups of similar smaller works e.g.
- project No 105 includes 14 different irrigation works and a large number of contracts,
  - project No 303 consists in 7 different small-scale works.
- c) *Measure 4.5 : Tourism – Culture*. Average cost: 78 m DR. Grouping: Most projects consist in groups of smaller scale works as in the case of:
- project No 302 which includes 4 works and 7 contracts.
- d) *Measure 6.1 Basic infrastructure*. Average cost of projects: 38 m DR, Grouping: a large number of projects are in fact groups of smaller works, e.g.
- project No 208 includes construction of 17 roads of total length 3.2 klm!
- e) *Measure 6.2 Quality of life*: Average cost of project: 25 m DR, plus grouping of projects<sup>55</sup>

The reasons for persistence of these practices have been located to the resistance of groups that profit most from the application of the European

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<sup>55</sup> Evaluation Report, ROP Thessaly 1994-1995. July 1999.

Funds.<sup>56</sup> More over, cultural embeddedness of institutions has been identified as a determining factor in the persistence of traditional practices. It has been maintained that it is not easy to eradicate long established patterns and self understandings, and that devices like the *grouping* of works serve as a 'security valve' to the pressures placed upon the traditional system by the rules introduced in the context of European integration.<sup>57</sup>

*Social and economic partners, social capital, and empowerment of the Region.*

The importance attributed by the Commission to the social and economic partners as playing a significant role in the empowerment of the Regions is revealed in the special provision included in the CSF 1989-1993. More specifically, it is provided that *"a priority objective should be to improve the efficiency of the productive sector and semi-public regional bodies (chambers of commerce, trade organisations, local authorities etc) by providing high-level training and attracting, recruiting and promoting exchanges between highly-qualified and experienced managers"*.<sup>58</sup> In application of the above provisions, there were two Measures included in the 1<sup>st</sup> ROP Thessaly, aiming at the creation of agencies that would provide technical support, promote financial engineering and prepare studies e.g. regarding new markets, with view to supporting the SME of the Region. The financial commitment of these Measures did not exceed 4-5% of the overall financial commitment of the ROP, yet, absorption was next to

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<sup>56</sup> See above Chapter Four, the discussion of the analysis by D. Economou. These arguments have been confirmed in the case of Thessaly by a large number of interviewees, at all levels, both political and administrative personnel. Among others, D. Economou, G. Demolios, H. Karakostas, V. Kondorizos, Ch. Bessas, July 2000 - June 2001.

<sup>57</sup> Interview with V. Kondorizos, Mayor of Portaria, June 2001.

<sup>58</sup> Commission of the European Communities (1990), *"Community Support Framework 1989-1993 - Greece"*, p. 21.

zero, with repeated transfers of resources to other traditional type measures.<sup>59</sup> The success of the Measures depended largely on the response of the SME, which, however, showed indifference despite the fact that the Measure was aiming at upgrading their capacity. As a result it was not activated.<sup>60</sup>

As argued by the Evaluator, this is due to their lack of the necessary means not only in terms of finance but also infrastructure and trained staff.<sup>61</sup> The same has been confirmed by the Presidents of the Commercial Chamber of Thessaly and the Association of the Industries of Thessaly regarding participation in the planning process of the ROP. It was argued that *"owing to lack of financial and human resources as well as technical infrastructure, the social and economic partners are not in a position to submit mature proposals"*.<sup>62</sup> In addition, it was admitted that the regional Chambers rely to a great extent on the central Associations for the proposals they make in the context of development plans,<sup>63</sup> an indication of centralisation of power, in connection to the role of the leaders of the unions as described in Chapter II, and their political ambitions.<sup>64</sup>

More over, the importance of personalities and personal interaction was stressed in relation to the positive climate created and inspiration provided for by political personnel with a vision, and the determination to transform traditional patterns of interaction.<sup>65</sup> Popular distrust towards the obsolete State,

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<sup>59</sup> Economou, D. *"Problems of Planning and Implementation of the First CSF for Greece"*. (1994), TOPOS, REVIEW OF URBAN AND REGIONAL STUDIES, No 7, (In Greek), pp. 57-91.

<sup>60</sup> Annual Evaluation Report of ROP Thessaly, (1993) YPODOMI. Interview with D. Economou, June 2000.

<sup>61</sup> Interview with Economou, July 2000.

<sup>62</sup> Interview with Valavanis, President of the Pan - Thessalic Association of Industries. July 2000.

<sup>63</sup> Interview with Goudopoulos, July 2000.

<sup>64</sup> See Chapter Two, the section on *the intermediary bodies*.

<sup>65</sup> Interview with Valavanis and Goudopoulos, July 2000.

as discussed in Chapter Four in relation to the non-implemented five year plans, was also acknowledged as a factor contributing to the unresponsiveness of the social and economic groups of Thessaly to regional development process.

It is argued, that social capital aspects such as the organisational paucity of the social and economic partners, the poor interaction between the latter on the one hand and public sector actors on the other, the indifference of social and economic actors, resulting from distrust to an obsolete and unreliable State, dependence of the regional chambers on their central associations regarding the proposals in developmental planning, account for ROP inefficiency directly related to the perpetuated incapacity and dependence of the Region on the Central State. Regarding in particular dependence of the regional chambers on their central associations, it reveals when analysed other traditional features of social and political organisation. More specifically, the entanglement of the intermediate bodies by the State and their control through the union leaders who have a personal interest in retaining this mode of interest aggregation and articulation, in connection to the reliance of the regional chambers on the central associations suggests absence of social control on regional development policy process by social actors of the Region *in the interest of the Region*. On the contrary, it confirms the existence of patterns so often identified before in this dissertation, namely, the centralised clientelist State sustained by the traditional opportunity structures.

These factors restrict considerably the prospect of empowerment of the Region, hence the increasing emphasis on the part of the Commission on the social capital as revealed also in the Sixth Report on Social and Economic Cohesion, discussed above in Chapter One.

- *The Regional Development Fund(RDF)*

It is ironic that while it was a member-staff and the Secretary General of the Region of Thessaly that had worked with enthusiasm for the introduction of the RDF, it was in Thessaly that its operation ended up to be a repetition of old patterns. The Director of the RDF of Thessaly owing to the classical “security dilemma” resorted to the old rigid bureaucratic procedures of approving payments. The truth is that the additional controls introduced after the General Accounts Authority’s interference had striped the RDF of its initial flexibility.<sup>66</sup> However, according to reports, the Director of Thessaly RDF fearing the responsibility has made the system even more perplex and rigid. Additional documents are required in order to approve a payment which is refused even when the lacking documents are of very minor importance. As a result, project implementation is being delayed, and RDF operation is held responsible for the slow implementing process of the ROP, along with other factors.<sup>67</sup>

Moreover, a spill-over effect was produced as the RDF of Thessaly was the first one to be established and it has served as an example for the other Regions. As the RDF is increasingly processing payments of additional numbers of projects, the bulk of required documents, the staff needed, and the subsequent entanglement of the whole process are only beginning to be identified and assessed. Thus, the rather improvised introduction of the RDF, on the one hand, and the role of the personalities involved in its operation at the regional level, have had a detrimental effect on the effectiveness of the new measure with repercussion on the Region’s empowerment.

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<sup>66</sup> See the relevant section above, in Chapter Five.

<sup>67</sup> Interviews with P. Skoteiniotes Prefect of Magnesia, Ch. Bessas Municipality of Volos, G. Demolios, June - October 2001.



### *The Preparation of the 3<sup>rd</sup> ROP Thessaly*

Although the 3<sup>rd</sup> ROP Thessaly is not part of this project, it is deemed that discussion of the preparatory phase is illustrative of several arguments deployed in the analysis so far, allowing for a more accurate appraisal of the impact that Community programmes can have on domestic policy process. There have been signs of a culture of co-operation and an integrated logic in tackling problems common to several municipalities, prefectures and social and economic partners, as opposed to the old practice of fragmented, individualistic pursue of interests. More specifically, in the beginning of 1999 and in light of the 3<sup>rd</sup> CSF, the Region of Thessaly initiated an innovative twofold action: **a)** contacts with bordering Regions (Epirous, Western Macedonia) with view to discussing common developmental problems, **b)** instructions to the four prefectures of the Region to submit integrated proposals for the CSF.<sup>68</sup> More analytically, this process evolved as follows:

*a)* There were meetings held at the seats of the two bordering Regions respectively, (one more sign of departure from the logic of localism on the part of the Region of Thessaly), and the issues discussed concerned mainly transport and tourism. The participants included not only officials of the Region and elected Local Self-government and Prefectoral Self-government Authorities, but also representatives of the social and economic partners of the three Regions. Apart from the practical results of the meetings, i.e. the positive impact on ROP planning of the three Regions, the importance of the innovative action lies also in *i)* the rise of a '*regional consciousness*'<sup>69</sup>, which is very encouraging as the Region has not yet been established in the popular consciousness as an administrative entity, and *ii)* a potential spill-over of the new logic in the

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<sup>68</sup> Interview with M. Exarhos, Special Consultant to the Secretary General of the Region of Thessaly, July 2000.

<sup>69</sup> *Ibid.*

bordering Regions. Evidence of this was brought in by participants of the meetings. It was argued, that actors of the other two Regions have showed great interest in the new way of interaction between the Regional level of administration in Thessaly on the one hand, and the Local, Prefectoral Authorities, and the economic and social partners of the Region on the other. They have expressed the wish to see this approach adopted in their Regions as well, and seem willing to push towards this direction.<sup>70</sup>

*b)* The instructions to the Prefectures for submission of integrated proposals suggested transfer of the responsibility for co-ordination of the LSG development plans to the PSG. It is noted that, the Prefects, as directly elected do not all belong to the ruling party, something that in other regions and in the past in Thessaly posed considerable problems in the co-operation with the Secretary General of the Region, a political appointee of the Central State. In this specific case they responded positively to the initiative of the Region. Following the instructions, they asked the Municipalities and the Communes to organise informal meetings in order to discuss common issues in the case of bordering entities, before submitting their proposals to the Prefectures. The purpose of this was to avoid fragmentary proposals in practice so far, with the development of an integrated logic in programming. Not all the Local Authorities responded positively to the call, in which cases, the result was obvious in the rather poor quality of the proposals submitted.<sup>71</sup> Regarding the transfer of responsibility for co-ordination of the planning process from the Region to the Prefectoral Authorities, i.e. to a lower and more over elected tier of government, it can be interpreted as a sign of decentralising tendency, acquiring additional

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<sup>70</sup> Interviews with a) G. Goudopoulos, President of the Commercial Chamber of Thessaly, b) E. Valavanis, President of the Association of Industries of Thessaly. July 2000.

<sup>71</sup> Interview M. Exarhos, July 2000.

significance if moreover it is considered that it occurred not at the implementation but at the planning phase of the Programme. It could moreover be seen as an effort to activate the role of the prefectural level in the process of the Democratic Planning,<sup>72</sup> which signifies departure from the extra-institutional formulation of developmental plans.

The background to these developments highlights important elements in the process of reform. In this particular case, it was the Commission's initiative to which YPETHO responded positively. Following the Commission's suggestions YPETHO's political leadership, instructed the Secretaries General of the Regions to adopt a new logic in planning. The operation was undertaken in person by the Deputy Minister and the Secretary General of YPETHO, who held meetings with the Secretaries General of the Regions and gave the guidelines.<sup>73</sup> Following this the Secretary General of the Region of Thessaly organized several meetings between the staff of the Region and public and private actors involved in ROP planning in all tiers. During these meetings the staff of the Region tried to imbue the actors with the new planning logic. Main elements of this dialectic were: **a)** the need to draw up technical studies before projects are submitted for approval, **b)** the need to take into consideration the developmental problems of the wider area of their own entity since the development of the wider area involves gains for all entities included in it. However, not all the Regions, -and as noted above not all localities within the Region of Thessaly- responded positively, which means that the Commission's ideas materialised in Thessaly as a result of a coincidence of actors with a reforming logic. This highlights the validity of the actor-centred argument according to which actors *are* important in the empowerment of subnational tiers.

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<sup>72</sup> See Chapter Five above, on the introduction of the Prefectoral Self-government and its ensuing disarming in developmental planning.

<sup>73</sup> Interview with D. Economou, July 2000.

### Summary

The case study has shown that there has been a slow though not substantial improvement in the regional policy process during the two programming periods. As far as empowerment of the regional tier is concerned, the Region of Thessaly confirms the pattern observed in the other regions of the country, i.e. the perpetuation of organisational and managerial incapacity, and even further dependence on and control by the Central State. Similarly, there has been centralisation of power at the regional level as a result of the introduction of the PSG, while the weaknesses of the lower tiers, as revealed in their inability to carry out successfully their tasks as implementing agents of projects remains a major problem.

All the pathological features of the public works production process, despite the application of the new tools, persisted as well.

On the other hand, the operation of the Regional Development Fund and the preparatory phase of the 3<sup>rd</sup> ROP, have unveiled the significance of the role of personalities in the reforming effort.

## CONCLUSIONS

The institutional reforms provided for in the 1988 revision of the Structural Funds viewed empowerment of subnational tiers in terms of administrative and developmental capacity. The uniform rules to be applied by all Member-States aimed at producing administrative convergence with view to achieving social and economic cohesion.

The research goal of this project has been to find out whether and to what extent the application of the two CSFs induced changes in the domestic regional policy process in terms of structures and practices. The research has shown that several new institutions were introduced to meet the needs arising from the application of the Community Support Frameworks. The adaptability of the domestic system to these reforms has been rather low. According to the main argument of this thesis, the reason why traditional patterns persisted throughout the two programming periods, despite the introduction of significant reforms especially after 1994, is due to the fact that these reforms challenged core elements of the existing opportunity structures. More specifically, they challenged the centralised clientelist State, and the networks of public and private actors built around the system of resource allocation for local development programmes, that sustain and are sustained precisely by the centralised clientelist State. To a much lesser degree, the classical "security dilemma" has influenced the reforming process, while the role of individual actors has also been important.

More analytically the research has revealed the following:

Some reforms were introduced in compliance with Community statutory obligations. Some were urged by the pressing needs of the Funds' management. Others had been part of the domestic reform agenda and were accelerated by the process of European integration. The origins differed as to whether they were directly or indirectly related to European integration.



However, the outcome of the reforms has been rather uniform in terms of adaptability of the existing system.

The introduction of the regional tier in Greece did not summon devolution of power. This argument is supported by the fact that despite the continuous transfer of new competencies to the Region, there has been no analogous transfer of resources in terms of staff and technical infrastructure. The Region has been from the beginning an abortive formation and remains so to a very large extent to date.

The creation of a parallel matrix of bodies to assist the Regions' managerial function in the context of the CSFs clearly suggests that the only preoccupation of the State when introducing the new institutions has been the management of the ROPs -centrally controlled- not the empowerment of the Regions. In reality, the external matrix reinforced the Region's bondage to the Central State, since employment of all the new agents remained the latter's responsibility. The Programme Managers and the Evaluators, despite their valuable contribution to the management of the ROPs have been YPETHO's employees.

Even more illustrative of the above argument has been the introduction of the Management Organisation Units (MOU) and the Technical Consultants of the Joint Monitoring Committee (JMC), both under YPETHO's direct control. The Commission's role in introducing the above innovations, especially the MOU and JMC, the pressure it exerted towards this direction similarly illustrates preoccupation with the managerial capacity of the Regions not their political empowerment vis-à-vis the State, which at any rate has never been the Commission's intention. To the Commission, adoption of the external matrix has been the appropriate means to address the managerial deficiencies of the Greek administrative system, as it was believed that the public administration was far too "sick" to cure. Therefore, private actors should be used to address the existing deficiencies. This is the reason why Commission officials have

embraced enthusiastically the idea of private economic consultants when first suggested in 1991 by the Deputy Minister of National Economy. This is also the reason why it threatened to discontinue funding unless MOU was introduced. Against this background, YPETHO sought to ensure control of the new institution fearing that its authority would be bypassed in case MOU was controlled instead by the Commission. Likewise, the Technical Consultants were external actors, limiting the authority of the Secretary General of the Region, as directly answerable to YPETHO.

Similarly, the establishment of the Regional Development Funds (RDF) should not be interpreted as an effort to empower the regional tier. There are two dimensions in this development: **a)** The need on the part of the Central State to achieve decongestion of administrative functions retaining a supervisory role, which is also reflected in the continuous devolution of other competencies to the Regions. **b)** The expectations on the part of the Ministry for the Interior (YPESDDA) that the creation of the RDF would somehow restore the balance of power over the Regions -which it considers its own offspring-, vis-à-vis the Ministry for National Economy (YPETHO), which due to its central role in European Funds management acquired additional powers and influence. A reflection of the competition on this issue is the fact that YPESDDA supported the introduction of RDF while YPETHO hindered it. However, even the establishment of the RDF should not be expected to -and indeed it did not finally- challenge YPETHO's supremacy.

As a result of the application of the CSFs there has been not only further centralisation of power towards the central level of governance, but also concentration of power at YPETHO at the expense of the influence of other Ministries. Apart from the competition with YPESDDA, the case of the Ministry for the Environment, City Planning and Public Works (YPEHODE), is also illustrative of YPETHO's tendency to increase its power and influence.

The prefectural tier has been weakening and lost completely its predominance in local development planning process, as it was replaced in its role of resource dispenser by the Region. This development is directly related to the management of the Community Funds by the regional tier. The establishment of self-government at the Prefectures risked to deprive the Central State of the control it exerted on resource allocation for local development through clientelist networks preserving electoral balances. The transfer of power to the Region, headed by the Secretary General, a political appointee, secured the firm grip of the Central State on the Community funds which constitute the only serious source for development in Greece and consequently, the perpetuation of the existing opportunity structures.

This development suggests that it was awareness that the Region's significance was growing as a result of the management of Community programmes, while the Prefecture's importance was moving in reverse order on exactly the same account. This allowed for the long delayed introduction of the PSG. In other words, the application of the Community Regional Policy (CRP) raised the profile of the Regions paving at the same time the way for the introduction of the PSG. However, in no way did these developments summon empowerment of either tier, quite the contrary. The PSGs have been constantly withering away in every possible term to the point of raising doubts as to the purpose of their existence, while the Regions continue to suffer from extreme organisational weakness, to such a degree that their operation often becomes problematic.

Moreover, the Local Self-government Organisations, despite the fact that more competencies were transferred to them, remain in their majority weak and unable to carry out their tasks as implementing agents of projects in the context of the Regional Operational Programmes. The mergers introduced towards the end of the 2<sup>nd</sup> CSF have not produced in most cases, strong local developmental entities.

As a result of the above, the old pattern of regional development process, in which the Prefecture headed by the appointed Prefect played a dominant role in resource allocation, has been replaced by a new one in which the Region substituted for the Prefecture in this role. The clientelist networks of public and private actors involved in the process of public works production have moved to the Regional level.

These factors indicate that changes in *structures* may have been inevitable due to European integration, but they occurred in such a way as to ensure maintenance of the traditional opportunity structures. In reality, there has been further centralisation of power as to the level of aggregation and articulation of interests, since this moved to the Region, i.e. closer to the Central State, while there has not been a change in *practices* i.e. clientelism remains the dominant *modus operandi* of regional policy process, although slightly restricted.

These points are further illuminated by the features of the particular phases of regional policy process in the European context. Over-fragmentation of resources and budget underestimation of projects, key features of the traditional policy process persisted throughout the two programming periods, again slightly restricted by the reform of the public works production system.

On the other hand, the reforming process has brought into relief the all-important role of the Commission in the implementation of the Community policies. Facilitated by the soft law aspect of the CSFs, and fostered by the endemic weakness of the Greek administration, Commission intervention has been often rigorous, as shown in the case of the reform of the public works production system, involving further centralisation of power.

Overall, the centralised clientelist State has been preserved despite the imposition of new operational tools. This suggests that existing institutions are deeply rooted in culture and the dynamics they released when defending their

maintenance and reproduction has proven far too powerful for the reforms introduced. It is stressed once again that this does not mean that traditional institutions have been left completely untouched. It means that their persistence has been very strong and as a result the change has been slow and of a limited scope. The self-reforming capacity of the Greek society, impaired by the peculiar economic and subsequently social development, has proven very low indeed.



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## INTERVIEWS

- |                           |  |
|---------------------------|--|
| 1. Agorastos K.           | Deputy Mayor of Larissa  |
| 2. Alogoskoufis G.        | ND Shadow Minister for National Economy  |
| 3. Antoniou M.            | Official of YPETHO, Responsible for ROP Thessaly                                 |
| 4. Bessas Ch.             | Municipality of Volos  |
| 5. Bougas A.              | Commission official, DG XVI  |
| 6. Chalikia D.            | European Commission, later Technical Consultant (JSC).                           |
| 7. Daoussi Ch.            | Special Consultant to the Minister for the Interior                              |
| 8. Delighiannakis M.      | General Director of ELKEPA(Greek Centre of Investment) 1991-1993                 |
| 9. Demolios George        | Programme Manager, ROP Thessaly  |
| 10. Diamandouros N. Prof. | Obundsman  |
| 11. Economou D.           | Associate Professor, University of Thessaly, Evaluator of the two ROPs Thessaly. |
| 12. Exarhos V.            | Special Consultant to the Secretary General of the Region of Thessaly            |

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|--------------------|--|
| 13. Giannoussis G. | European Commission,   |
| 14. Goudopoulos E. | President of the Chamber of Commerce of<br>Thessaly                        |
| 15. Heliopoulou A. | Member staff of the Region of Thessaly                                     |
| 16. Helmi. H.      | European Commission  |
| 17. Iatrou S.      | Municipal Councilor of Keratea, Prefectoral<br>Councilor of Eastern Attica |
| 18. Karakostas H.  | Prefectoral Self Governmengt of Larissa.                                   |
| 19. Kassotaki M.   | Director of RDF, Region of Crete   |
| 20. Kastanides H.  | PASOK MP, Minister for Transport   |
| 21. Katsoudas D.   | Secretary General of the Ministry for<br>Agriculture 1991-1993.            |
| 22. Kollias P.     | YPETHO official  |
| 23. Kominatos G.   | YPESDDA official   |
| 24. Kondorizos V.  | Mayor of Portaria  |
| 25. Kopitsi S.     | Co-ordinator ROP Attica  |
| 26. Koune J.       | YPETHO official  |
| 27. Kritikos A.    | Secretary General of the Region of Attica.                                 |
| 28. Logothetis S.  | Mayor of Pireaus   |

29. Loverdos A.	Secretary General of YPESDDA, Deputy Minister for Foreign Affairs
30. Lytrokatis Ch.	Prefectoral Self-government of Larissa
31. Macrydemetris A.	Professor, University of Athens
32. Michalis A.	Technical Consultant - Joint Monitoring Committee, ROP Thessaly.
33. Millan, B.	European Commission
34. Mylonaki D.	Evaluator of the two ROPs Attica
35. Nikolaidou I.	Member of the Secretariat of the Monitoring Committee of the Region of Attica, later member-staff of MOU
36. Palaiologos Ch.	Mayor of Livadia
37. Papadodimas N.	General Director of YPETHO
38. Papagheorghiou F.	Evaluator of ROP Peloponnese
39. Papoulias D., Prof.	University of Athens, CO of the Board of Directors of OTE (Telecommunications Company) and of DEI (Electric Power Company), President of OPEK
40. Pappis A.	Co-ordinator of ROP Thessaly 1988-1997. Director of the Regional Development Fund of the Region of Thessaly 1997-



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| 41. Plaskovitis E.                              | Secretary General of the Ministry for National Economy 1994-1999, Secretary General of the Ministry for Foreign Affairs 1999- |
| 42. Sapounakis T.                               | Local Self-government issues expert   |
| 43. Skoteiniotes P.                             | Prefect of Magnesia   |
| 44. Spourdalakis M.                             | Professor, University of Athens   |
| 45. Theos K.                                    | Special consultant to the Deputy Minister of the Ministry for National Economy. Secretary General of the same Ministry, 1999- |
| 46. Tsiplakos A.                                | Deputy Minister for National Economy 1991-1993  |
| 47. Tsouderou E.                                | Deputy Minister for Foreign Affairs 1990-1993   |
| 48. Valavanis G.                                | President of the Pan Thessalic Association of Industries  |
| 49. Vlachos G.                                  | Secretary General of the Ministry for National Economy 1991-1993  |
| 50. Voutsakis V. Prof.                          | Special Consultant to the Prime Minister, Vice President of OPEK  |
| 51. Several actors at all administrative levels |   |